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Trade Mark Monopolies in the Digital Age

Abstract

This article reviews the core ground of infringement for trade marks covering cases of “double identity”. It argues that this ground should protect two distinct monopolies that the owners of trade marks enjoy. Their demand-side monopoly should give them the exclusive right to use their trade marks as resources for branding and differentiating products of a particular kind and turning them into specific objects of demand. Their supply-side monopoly should give them exclusive control over the supply of products that can satisfy that demand. This article argues that the core ground of infringement should address each monopoly and their ancillary aspects directly, taking account of the specific set of issues that they raise. The core ground should show how each monopoly contributes to the overall role of trade marks in commercial life and explain their main legal features. This article reviews the Court of Justice’s development of the core ground from this perspective and argues that this helps to explain some of the difficulties associated with this case law.

1. Introduction

Trade marks are awarded to promote fair and effective competition by enabling firms and other undertakings (“firms”) to brand their products and differentiate them from other products on the market.¹Firms can then compete to attract demand to the

¹ The term “undertaking” means a firm or any other business structure or organisation that can function as a cohesive unit: Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789 at [38]-[39]. It includes a business

branded products in particular (“specific demand”). Trade marks can go further than this and enable firms to brand their products on the basis that they have a specific level of quality and a specific combination of features and other characteristics in common that differentiates them from other products of the same kind.² As well as having the exclusive right to use the relevant sign for this purpose, the proprietor (or “owner”) of a trade mark has the exclusive right to determine which products of the relevant kind are to be branded and differentiated in this way and can therefore satisfy the specific demand that the trade mark attracts.³

Branded products attract specific demand for various reasons. A key factor is that consumers are seeking the particular combination of quality and characteristics that a brand represents and branding is a good basis for obtaining information about the likely quality and characteristics of products. Moreover, the exclusivity of a brand establishes a form of commercial accountability for branded products and this can be a valuable source of reassurance about product quality and other matters of potential interest or concern to consumers. Branding products thereby helps to mitigate the risks of disappointment that consumers would otherwise face and reduces their search costs.⁴ Enabling firms to use trade marks to brand products and attract

organisation consisting of a number of separate legal entities as long as they are subject to a single point of ultimate control such as a group of companies: Case C-520/09 *Arkema v European Commission* [2011] ECR I-8901 at [37]. This article will use the term “firm” to refer to an undertaking unless the context requires otherwise.

² *Andrew (John) v Kuehnrich* (1913) 30 RPC 677(CA). On this capacity, see T. da Silva Lopes and M. Casson, “Entrepreneurship and the Development of Global Brands”, (2007) 81 *Business History Review* 651-680 at 655.

³ *Major Bros. v Franklin* [1908] 1 KB 712 (HC); *Primark v Lollypop Clothing* [2001] ETMR 334 (HC); Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789.

⁴ G. Akerlof, “The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism”, (1970) 84 *Quarterly Journal of Economics* 488-500; W.M. Landes and R.A. Posner, “Trademark Law: An Economic Perspective”, (1987) 30 *Journal of Law and Economics* 265-309; N. Economides, “The

specific demand to them means that firms can seek to gain a sustainable competitive advantage based on the quality and characteristics of these products, the credibility of the quality assurance they can provide and their own quality and other characteristics as firms.

Trade marks enable firms to brand products and to compete to attract specific demand to them even if they do not deal directly with consumers and have to communicate with them across intermediaries and reach them through a distribution chain. This facility became important as greater space opened up between producers and consumers in the organisation of economic activity.⁵ It has become especially important with the forms of communication and transacting that have arisen in the digital age.⁶ Their provision of this facility underlies the claim made by the Court of Justice of the European Union (“CJEU”) that trade marks are an essential element in a system of undistorted competition.⁷ The European Commission has credited trade marks with creating value and growth, promoting investment in research and development, contributing to “a continuous process of product improvement and

Economics of Trademarks”, (1988) 78 *Trademark Reporter* 523-539; S.L. Dogan and M.A. Lemley, “Trademark and Consumer Search Costs on the Internet”, (2004) 41 *Houston Law Review* 777-838.

⁵ The sociologist Zygmunt Bauman has noted how the opening up of “an extendable space” between the act of production and the act of consumption meant that “each of the two acts acquired growing autonomy from the other” and how “history could be written in terms of the ingenious ways in which that space was colonized and administered”: Z. Bauman, *Consuming Life* (Cambridge, UK: Polity Press, 2007) at 26.

⁶ This article uses the term “the digital age” to refer to the impact of the internet, digital technology and associated transformations in communication, marketing and transacting: see, for example, E. Mendelson, “In the Depths of the Digital Age”, *The New York Review of Books*, 23 June 2016, volume 63, no. 11.

⁷ “In such a system, undertakings must be able to attract and retain customers by the quality of their products or services, which is made possible only by distinctive signs allowing them to be identified”: Case C-349/95 *Loendersloot (Frits) v Ballantine* [1997] ECR I-6227 at [22], citing the court’s judgments in Case C-10/89 *Cnl Sucal v Hag* [1990] ECR I-3711 at [13]; and Case C-427/93 *Bristol-Myers Squibb v Paranova* [1996] ECR I-3457 at [43].

development” and benefiting employment.⁸ The exclusivity of a trade mark to one firm along with that firm’s exclusive right to determine which products the trade mark brands and differentiates are together the legal basis of its economic role.

Like other intellectual property rights, the exclusivity of a trade mark involves the award of a limited monopoly to its owner, which in this case covers the use of the sign registered as a trade mark in relation to the sale or other marketing of products of the kind or kinds for which it is registered.⁹ In the European Union, the trade mark directive (“the Directive”) has secured this monopoly through conferring certain exclusive rights on the owner of a trade mark.¹⁰ In particular, the owner is entitled to

⁸ European Commission, “Proposal for a Directive of the European Parliament and of the Council to approximate the Laws of the Member States relating to Trade Marks”, COM (2013) 162 final, 2013/ 0089 at 1. See also the World Intellectual Property Organisation, *2013: World Intellectual Property Report: Brands – Reputation and Image in the Global Marketplace* (WIPO Economics and Statistics Series, 2013).

⁹ The term “marketing” is used in trade mark law to refer generally to the commercialisation of marked products through offering them for sale or through some other kind of transaction. However, the term is also used to refer to the economic activity in which firms engage in order to promote their products to consumers, attract specific demand to them and secure customer loyalty: see, for example, P.F. Drucker, “Marketing and Economic Development”, (1958) 22 *Journal of Marketing* 252-259 at 253; and G.T. Gundlach, and W.L. Wilkie, “The American Marketing Association’s New Definition of Marketing: Perspective and Commentary on the 2007 Revision”, (2009) 28 *Journal of Public Policy and Marketing* 259-264. On the importance of marketing in the latter sense to the development of firms, see, for example, R. Church and A. Godley, “The Emergence of Modern Marketing: International Dimensions”, (2003) 45 *Business History* 1-5; T. da Silva Lopes and M. Casson, “Entrepreneurship and the Development of Global Brands”, (2007) 81 *Business History Review* 651-680; T. da Silva Lopes and P. Guimaraes, “Trademarks and British Dominance in Consumer Goods, 1876-1914”, (2014) 67 *Economic History Review* 793-817. This article will use the term in both senses, according to the context.

¹⁰ Directive 89/104/EEC of 21 December 1988, which Directive 2008/95/EC of 22 October 2008 subsequently codified (as amended).

prohibit unauthorised third parties from using the relevant sign in the course of trade “in relation to” products of an identical kind to those for which the trade mark is registered.¹¹ The CJEU’s judgments on this core ground of infringement have provided uncertain guidance, attracted criticism and prompted calls for reform.¹² The revised directive adopted in December 2015 (“the 2015 Directive”) has recast the Directive,¹³ but has specified the core ground of infringement in substantially the same terms.¹⁴ It has not provided further clarification or done much to resolve the difficulties.

This article will argue that one cause of these difficulties is that the core ground of infringement in fact protects two complementary monopolies. There is a demand-side monopoly, which reflects the exclusive right of the owner to use its trade mark to brand products of the relevant kind and differentiate them from others of the same kind. There is also a supply-side monopoly, which reflects the owner’s exclusive right to determine which products of the relevant kind are to be branded and differentiated in this way and can legitimately satisfy the specific demand that the trade mark attracts. These two monopolies should reinforce each other and together should ensure that trade marks facilitate undistorted competition and achieve the other economic objectives of trade mark law. However, the CJEU’s elaboration of the core ground of infringement has not addressed them separately. This article will argue that it should do so. Among other benefits, addressing the supply-side monopoly

¹¹ The Directive, art. 5(1)(a).

¹² See, for example, M. Senftleben, “Function Theory and International Exhaustion: Why it is Wise to confine the Double Identity Rule in EU Trade Mark Law to Cases affecting the Origin Function”, (2014) 36 EIPR 518-524; A. Kur, “Trade Marks function don’t they? CJEU Jurisprudence and Unfair Competition Practices”, (2014) 45 *International Review of Intellectual Property and Competition Law* 434-454; J. Tarawneh, “A New Classification for Trade Mark Functions”, [2016] IPQ 352-370.

¹³ Directive 2015/2436 of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Recast) (“the 2015 Directive”). The 2015 Directive entered into force on 15 January 2016 and member states have three years to implement the changes that it requires.

¹⁴ The 2015 Directive has recast the core ground of infringement in article 10(2)(a).

separately would help to provide a clearer explanation for its territorial dimension in European Union law in accordance with the Union's principle of the regional exhaustion of the owner's rights.¹⁵ It would also bring out more clearly how firms can use trade marks not only to brand products as theirs, but also to establish and protect brands that achieve a high degree of customisation and differentiation in terms of their quality and other characteristics.

This article will argue that a further cause of difficulty with the CJEU's specification of the core ground of infringement is the fact that each of the two monopolies has ancillary aspects that contribute to a trade mark's capacity to perform its intended economic role and should improve its effectiveness at doing so. These ancillary aspects should reflect and reinforce the relevant monopoly and require legal protection accordingly. This article will argue that the core ground should address the respective ancillary aspects of each monopoly separately as well. Instead, the CJEU's elaboration of the core ground has attempted to provide a universal formulation that purports to cover all these aspects even though they raise different sets of issues. For example, on the demand side, a trade mark may perform up to two ancillary operational functions in addition to its core operational function of providing a means of branding and differentiating products of the relevant kind. It can perform these ancillary functions through providing a convenient means of referring to the branded products in communication. First, the owner can use the trade mark in advertising

¹⁵ Under the Directive, the supply-side monopoly applies at the point of first marketing in the European Economic Area ("EEA"): Case C-355/96 *Silhouette v Hartlauer* [1998] ECR I-4799; Case C-173/98 *Sebago v GB-Unic* [1999] ECR I-4103; Joined Cases C-414/99-C-416/99 *Zino Davidoff v A & G Imports* [2001] ECR I-8691. On the principle of the exhaustion of rights and its "national", "regional" and "international" variants, see K.E. Maskus, "Parallel Imports", (2000) 23 *World Economy* 1269-1284 at 1270; K. Saggi, "Regional Exhaustion of Intellectual Property", (2014) 10 *International Journal of Economic Theory* 125-137 at 125-126; K.E. Maskus, "Economic Perspectives on Exhaustion and Parallel Imports", in I. Calboli and E. Lee (eds), *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (Edward Elgar, 2016) 106-124 at 106-107.

and promotional activity to alert consumers to the branded products, convey information about them and solicit specific demand for them. This facility is of particular importance to firms that do not deal with consumers directly. For some products, it may also enable the owner to add intangible quality to the branded products through associating them with a particular image or set of values.¹⁶ Secondly, consumers can use the trade mark as a reference point in searches and enquiries to seek and acquire information about the branded products. Where the trade mark signifies verbally, consumers can use it in requests to express specific demand. Where the owner does not deal directly with consumers, this facility should enable it to “reel in” specific demand and ensure that third parties satisfy this demand only with branded products.

To ensure that the trade mark can perform these two ancillary operational functions effectively, the core ground of infringement should give the owner control over how third parties use the trade mark as a reference point. This ancillary control should apply both to third parties’ referential use of it in their advertising and other communication with consumers and to third parties’ responses to consumers’ referential use of it in searches, enquiries and requests. However, this ancillary control does not need to be absolute in either case. On the contrary, the objective of promoting competition requires that there should be significant qualification of the owner’s control in both of these contexts. There are similar ancillary issues with core ground’s protection of the supply-side monopoly. This monopoly gives the owner absolute control to determine which products constitute branded products at the point of first marketing in the European Economic Area (“EEA”). Here, the owner

¹⁶ For example, the CJEU has treated “the allure and prestigious image” of luxury goods “which bestows on them an aura of luxury” as contributing to the “quality” of such goods and worthy of protection: Case C-59/08 *Copad v Christian Dior Couture* [2009] ECR I-3421 at [24]-[26]. For a critical evaluation of this capacity, see J. Davis and S.M. Maniatis, “Trademarks, Brands, and Competition” in T. da Silva Lopes and P. Duguid (eds), *Trademarks, Brands, and Competitiveness* (Routledge, 2013) (paperback edition) 119-137.

needs some ancillary control over whether or not goods that it has already marketed under the trade mark within the EEA should constitute marked products for further marketing. The owner needs this control so that it can protect the integrity of the particular product customisation and differentiation that the trade mark signifies and helps to establish. It is also necessary to protect the basis on which the trade mark signifies and establishes commercial accountability for the branded products and may thereby provide quality assurance and other reassurance to consumers. Nevertheless, these factors do not require giving the owner absolute control over the use of the trade mark for further marketing. Instead, significant qualification of the owner's control is necessary to facilitate intra-brand competition and minimise the scope for territorial price discrimination.¹⁷ Here as well, the CJEU's elaboration of the core ground of infringement has not provided a clear framework for calibrating this ancillary aspect of the supply-side monopoly.

The CJEU's elaboration of the core ground has refined its scope by reference to its protection of various functions that a trade mark should perform. These do not readily map onto the various operational roles that a trade mark may perform on the demand side or explain the ancillary aspect of the supply-side monopoly. The CJEU has relied on the need to protect the so-called "essential function" of a trade mark to secure its owner's demand-side and supply-side monopolies.¹⁸ However, it has

¹⁷ Price discrimination occurs when a firm is able to charge different prices for the same or very similar products to different consumers or groups of consumers: see, for example, R. Van den Bergh and P. Camasasca, *European Competition Law and Economics: A Comparative Perspective* (Sweet & Maxwell, London 2006) at 254-257. On territorial price discrimination in this context, see K.E. Maskus, "Economic Perspectives on Exhaustion and Parallel Imports", in I. Calboli and E. Lee (eds), *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (Edward Elgar, 2016) 106-124 at 112-113. See further R. Schmalensee, "Output and Welfare Implications of Monopolistic Third-Degree Price Discrimination", (1981) 71 *American Economic Review* 242-247.

¹⁸ The "essential function" of a trade mark is to "guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user, by enabling him without any possibility of confusion to

calibrated the owner's control over the ancillary aspects of these monopolies by reference to this function and to a vaguely defined and non-exhaustive list of additional functions. The 2015 Directive has not revised or defined the protected functions that the CJEU has identified. In particular, it has not followed an initial recommendation that the core ground of infringement should protect only the essential function.¹⁹ This article will argue that the specification of the core exclusive right should address the distinct demand-side and supply-side monopolies separately and should address the ancillary aspects of these monopolies separately. Although the CJEU's case law has generally achieved satisfactory outcomes in practice, it has taken an unnecessarily complex route to do this and has not provided a satisfactory explanation of some important features of the law.

The article will proceed as follows. Section 2 will consider the economic goals of trade mark law, look more closely at how a trade mark contributes to these goals through its distinct demand-side and supply-side roles and consider the extent of protection that these roles require. Section 3 will review the specification of the core ground of infringement and the CJEU's elaboration of it. Section 4 will evaluate this law's protection of the demand-side role of trade marks. Section 5 will evaluate the law's protection of the supply-side role of trade marks. Section 6 will draw some conclusions.

distinguish that product from products which have another origin": Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139 at [7]]; Case C-10/89 *Cnl Sucal v Hag* [1990] ECR I-3711 at [14]; Case C-206/01 *Arsenal FC plc v Matthew Reed* [2002] ECR I-10273 at [48].

¹⁹ European Commission, "Proposal for a Directive of the European Parliament and of the Council to approximate the Laws of the Member States relating to Trade Marks", COM (2013) 162 final, 2013/0089.

2. The Economic Role of the Trade Mark

Monopolies

As noted already, the CJEU views trade marks as essential to achieving a system of undistorted competition.²⁰ They do this through enabling firms to brand products and differentiate them from others of the same kind, which turns them into specific objects of demand and facilitates their marketing and promotion to consumers. The exclusivity of the brand that a trade mark signifies along with its owner's exclusive right to authorise products as branded products together give the brand the capacity to acquire a reputation, image and other associations based on the track record of branded products and on how they are marketed to consumers. Conferring a common identity on products that is exclusive to one firm gives them a history, a biography and a form of personality as well as establishing a basis for communication and commercial accountability.²¹ This may attract specific demand to the products for a number of reasons. The economic rationale of the trade mark system depends on ensuring that these reasons are consistent with undistorted competition.

One important reason why a trade mark may attract specific demand to the brand of products that it signifies (hereafter "marked products") is that it brands and differentiates products on the basis of their quality and other characteristics and gives consumers a reliable basis for developing and expressing their preferences in this

²⁰ Case C-349/95 *Loendersloot (Frits) v Ballantine* [1997] ECR I-6227 at [22], citing the court's judgments in Case C-10/89 *Cnl Sucal v Hag* [1990] ECR I-3711 at [13]; and Case C-427/93 *Bristol-Myers Squibb v Paranova* [1996] ECR I-3457 at [43].

²¹ T. da Silva Lopes and M. Casson, "Entrepreneurship and the Development of Global Brands", (2007) 81 *Business History Review* 651-680 at 655-656. On the importance in the corporate context of a product having an institutional identity and personality of this kind, see J. Kahn, "Product Liability and the Politics of Corporate Presence: Identity and Accountability in *Macpherson v. Buick*" (2001) 35 *Loyola of Los Angeles Law Review* 3-64 at 30-41.

respect.²² The owner's supply-side monopoly gives it the ability to ensure that marked products are and remain consistent with each other.²³ A firm may be able to achieve and maintain a high level of consistency through the application of unique knowledge, skills and other capabilities that it has developed through experience.²⁴ The owner's capabilities in this respect may relate directly to production or to the management and orchestration of production through supply chains or other indirect arrangements. The fact that marked products are both clearly differentiated and likely to be consistent with each other means that a trade mark can be an efficient basis for communication and search. The owner, consumers and third parties can all use the trade mark to convey and acquire information about the marked products and consumers can use it to relate specific products on the market to their own experience. This reduces the need for specifying the quality and other characteristics of a product in precise detail, assuming this were to be possible.

²² On this as a form of competition, see L. Abbott, *Quality and Competition: An Essay in Economic Theory* (New York: Columbia University Press, 1955). On product quality and its positive and negative aspects, see J.M. Juran, *Juran's Quality Control Handbook* (New York, NY: McGraw-Hill, 1988) at 2-3. See also D.A. Garvin, "What does 'Product Quality' really mean?", (1984) 26 *Sloan Management Review* 25-43; C.A. Reeves and D.A. Bednar, "Defining Quality: Alternatives and Implications", (1994) 19 *Academy of Management Review* 419-445 at 424-425.

²³ A trade mark owner is not obliged to maintain the consistency of the marked products, which is why the "guarantee" of quality often attributed to trade marks is economic rather than legal in nature: *Bostitch Trade Mark* [1963] RPC 183 at 197; Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789 at [38].

²⁴ On the value of "tacit" knowledge and skills, see M. Polanyi, *Personal Knowledge: Towards a Post-Critical Philosophy* (Routledge and Kegan Paul, 1962) (corrected edition) at 49-65. On organisational "capabilities", see G.B. Richardson, "The Organisation of Industry", (1972) 82 *Economic Journal* 883-896; R. N. Langlois, "Modularity in Technology and Organization", (2002) 49 *Journal of Economic Behaviour and Organization* 19-37.

A further and related reason why a trade mark may attract specific demand to marked products is the commercial accountability that it establishes and signifies.²⁵ This not only increases the trade mark's value as a reference point, but also can be a source of reassurance to consumers about quality and other matters to which they attach importance. A trade mark can do this through acquiring a good reputation and through signalling its owner's stake in maintaining or increasing its appeal to consumers.²⁶ This can be an efficient way of mitigating the potential problems that arise when consumers lack complete information about the quality of products on the market (or about other matters to which they attach significance) and face a significant risk of disappointment.²⁷ Without a reliable means of mitigating these problems, the costs of obtaining the necessary information and any remaining risk of disappointment could be high and would then inhibit and distort competition based on product quality. The owner's supply-side monopoly enables it to control and vouch for the quality of the marked products. It also maximises the owner's incentive to use its control to maintain or improve the trade mark's power to attract specific demand.

²⁵ A trade mark has been described as a "banner" or "*aegis*" of commercial responsibility for the marked products: *Aristoc v Rysta* [1945] AC 68 (HL) at 101-102 (per Lord Wright); *Glaxo Group v Dowelhurst* [2000] FSR 529 (HC) at 540-541 (per Laddie J); *Scandecor Development v Scandecor Marketing* [2001] UKHL 21 at [19] (per Lord Nicholls).

²⁶ A. Katz, "Beyond Search Costs: The Linguistic and Trust Functions of Trademarks", (2011) 5 *Brigham Young University Law Review* 1555-1608. See also A.P. Griffiths, "Trade Marks and Quality Assurance" in G. Dinwoodie (ed), *Methods and Perspectives in Intellectual Property* (Edward Elgar, 2013)) 129-150; A.P. Griffiths, "Brands, Firms and Competition" in I. Lianos et al (ed), *Brands, Competition Law and IP* (CUP, 2015) 238-260.

²⁷ G. Akerlof, "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism", (1970) 84 *Quarterly Journal of Economics* 488-500; W.M. Landes and R.A. Posner, "Trademark Law: An Economic Perspective", (1987) 30 *Journal of Law and Economics* 265-309; N. Economides, "The Economics of Trademarks", (1988) 78 *Trademark Reporter* 523-539; S.L. Dogan and M.A. Lemley, "Trademark and Consumer Search Costs on the Internet", (2004) 41 *Houston Law Review* 777-838.

Product differentiation achieved through trade marks along with the availability of the trade marks as communication devices and sources of reassurance together increase the ability of consumers to base their purchasing decisions on information and trust rather than on direct inspection and verification. This facility has become even more valuable in the digital age where consumers have much greater access to information about products on the market and much less opportunity to inspect them prior to purchase. With on-line searching and shopping, consumers can acquire information, obtain reassurance and conclude transactions entirely through relying on trade marks.

A trade mark's capacity to attract specific demand for the above reasons is likely to increase as it becomes familiar to consumers and gains a presence in their minds. Familiarity enables a trade mark to perform its demand-side operational functions more effectively.²⁸ A familiar trade mark has much greater value as a source of reassurance about product quality and other matters to which consumers attach significance. Through a ratchet-like effect, as a trade mark's value and capacity to command premium prices increases to reflect its effectiveness at attracting specific demand, so its capacity to provide reassurance increases because of the greater value it has as a stake against the risk of disappointment.²⁹ A trade mark with an enhanced capacity of this kind also has the potential to mitigate the risks associated with product development, product improvement and other forms of innovation. Whilst

²⁸ The familiarity of a trade mark can speed the acquisition and processing of information that uses it as a reference point and facilitate rapid decision-making. Economic analysts have suggested that this constitutes a distinct capacity to reduce consumers' "mental search costs" or "imagination costs": see W.M. Landes and R.A. Posner, *The Economic Structure of Intellectual Property Law* (The Belknap Press, 2003) at 161 and 207. For a critical appraisal of this view, see R. Tushnet, "Gone in Sixty Milliseconds: Trademark Law and Cognitive Science", (2008) 86 *Texas Law Review* 507-568. Tushnet, 2008.

²⁹ B. Klein and K.B. Leffler, "The Role of Market Forces in Assuring Contractual Performance", (1981) 89 *Journal of Political Economy* 615-641 at 629-633; C. Shapiro, "Consumer Information, Product Quality and Seller Reputation", (1982) 13 *Bell Journal of Economics* 20-35; C. Shapiro, "Premiums for High Quality Products as Returns to Reputations", (1983) 98 *Quarterly Journal of Economics* 659-679.

innovation can increase the risk of deficiencies and other sources of disappointment, a familiar trade mark can be an efficient means of alerting consumers to potential problems and provide additional reassurance through linking marked products to a good track record concerning responses to setbacks and mistakes.³⁰ A familiar trade mark provides a useful reference point that can be used to publicise action designed to restore consumers' trust in it as a source of guidance and reassurance and this may even strengthen that trust.

A familiar trade mark can also attract specific demand for reasons that are not necessarily consistent with undistorted competition.³¹ It may do so simply because it provides consumers with a convenient reference point that they can use to shorten complex and burdensome decision-making.³² This cognitive availability is not necessarily a problem because it increases a trade mark's vulnerability to bad publicity and therefore the reassurance that it can provide as a stake against the risk of disappointment. However, a familiar trade mark may also attract specific demand because of its emotional impact.³³ Thus, along with matters such as design and presentation, a trade mark may contribute to the aesthetic and emotional appeal of marked

³⁰ For examples of this, see N.F. Koehn, *Brand New: How Entrepreneurs Earned Consumers' Trust from Wedgwood to Dell* (Harvard Business School Press, 2001) at 321-326.

³¹ J. Davis and S.M. Maniatis, "Trademarks, Brands, and Competition" in T. da Silva Lopes and P. Duguid (eds), *Trademarks, Brands, and Competitiveness* (Routledge, 2013) (paperback edition) 119-137.

³² A. Ehrenberg, N. Barnard and J. Scriven, "Differentiation or Salience", (1997) 37 *Journal of Advertising Research* 7-14; G.B. Ramello, "What's In a Sign? Trademark Law and Economic Theory" (2006) 20 *Journal of Economic Surveys* 547-565 at 556-559.

³³ J. Litman, "Breakfast with Batman: The Public Interest in the Advertising Age", (1999) 108 *Yale Law Journal* 1717-1735; D.A. Aaker and E. Joachimsthaler, *Brand Leadership: The Next Level of the Brand Revolution* (The Free Press, 2000) at 48-49; N.F. Koehn, *Brand New: How Entrepreneurs Earned Consumers' Trust from Wedgwood to Dell* (Harvard Business School Press, 2001) at 307-339; J.B. Swann, D.A. Aaker and M. Reback, "Trademarks and Marketing", (2001) 91 *Trademark Reporter* 787-832 at 796-797.

products.³⁴ It may do this directly through its inherent aesthetic appeal as a sign or through its aptness as a signifier for products of the relevant kind.³⁵ It may do this indirectly through linking marked products to an image and other associations that the owner has cultivated through advertising and promotional activity. In this way, a trade mark can contribute to an intangible form of product branding and differentiation that appeals to consumers at the emotional and psychological level and reflects the growth of “consumerism” over the twentieth century.³⁶

Branding that has an emotional impact can influence consumers’ decision-making in various ways and may even help to shape their impressions of other forms of quality.³⁷ However, its social value as an object of effort and investment is questionable.³⁸ It is also debatable whether the emotional appeal that a trade mark

³⁴ On aesthetic and intangible quality as dimensions of quality, see D.A. Garvin, “Competing on the Eight Dimensions of Quality”, (1987) 65 *Harvard Business Review* 101-109.

³⁵ See, for example, one journalist’s account of the emotional appeal of Nurofen’s chevron and target design: W. Leith, “Confessions of a ten-a-day man”, *The Guardian*, April 26 2003, available on-line at <http://www.guardian.co.uk/society/2003/apr/26/health.healthandwellbeing> (accessed March 2017).

³⁶ For overviews of this trend, see E. Howker and S. Malik, *Jilted Generation: How Britain has Bankrupted its Youth* (Icon Books, 2013) (2nd. ed.) at 204-212; W. Streeck, “Citizens as Consumers: Considerations on the New Politics of Consumption”, (2012) 76 *New Left Review* 27-47 at 28-36. For sceptical views of consumerism, see A. Offer, “The Mask of Intimacy: Advertising and the Quality of Life”, in A. Offer, *The Challenge of Affluence: Self-Control and Well-Being in the United States and Britain since 1950* (Oxford University Press, 2006) at 103-137; Z. Bauman, *Consuming Life* (Polity Press, 2007) at 31. For more positive views, see C. Campbell, *The Romantic Ethic and the Spirit of Modern Consumerism* (Blackwell, 1987); C. Dyhouse, *Glamour: Women, History, Feminism* (Zed Books, 2011).

³⁷ J.J. Wheatley and J.S.Y. Chiu, “The Effects of Price, Store Image, and Product and Respondent Characteristics on Perceptions of Quality”, (1977) 14 *Journal of Marketing Research* 181-186;

³⁸ R. Brown, “Advertising and the Public Interest: Legal Protection of Trade Symbols”, (1948) 57 *Yale Law Journal* 1165-1206 at 1169; G.B. Ramello and F. Silva, “Appropriating Signs and Meaning: The Elusive Economics of Trademark”, (2006) 15 *Industrial and Corporate Change* 937-963 at 946-949; D.S.

may acquire reinforces or undermines the positive contributions that it can make to promoting socially-valuable forms of competition.³⁹ On the one hand, emotional appeal can make a trade mark more vulnerable to bad publicity and therefore more valuable as a source of reassurance.⁴⁰ On the other hand, it may give its owner a significant competitive advantage and even strategic power within a value chain. One reason for this is that its owner can use such a trade mark to add substantial intangible value to marked products at a relatively low marginal cost. Moreover, the emotional desires to which it caters may prove hard for consumers to satisfy and it may attract further demand for this reason.⁴¹

Whatever the reasons behind it, a trade mark's capacity to attract specific demand rests on the two complementary monopolies that its owner enjoys. The owner's demand-side monopoly reflects its exclusive right to use the relevant sign to brand certain products of the relevant kind in order to signify their common commercial origin and to differentiate them clearly from other products of the same kind (referred to hereafter as "proprietary use" of the sign).⁴² It is therefore essential that relevant consumers can readily recognise the trade mark as the signifier of an exclusive connection between the marked products and one firm in particular.⁴³ This

Gangjee, "Property in Brands", in H.R. Howe and J. Griffiths, *Property Concepts in Intellectual Property Law* (CUP, 2013) 29-59.

³⁹ J. Davis and S.M. Maniatis, "Trademarks, Brands, and Competition" in T. da Silva Lopes and P. Duguid (eds), *Trademarks, Brands, and Competitiveness* (Routledge, 2013) (paperback edition) 119-137.

⁴⁰ B. Klein and K.B. Leffler, "The Role of Market Forces in Assuring Contractual Performance", (1981) 89 *Journal of Political Economy* 615-641 at 629-633.

⁴¹ Z. Bauman, *Consuming Life* (Polity Press, 2007) at 31.

⁴² On using the terms "proprietary" use and "referential" use in this context, see D.W. Barnes, "Trademark Externalities", (2007) 10 *Yale Journal of Law & Technology* 1-44.

⁴³ The CJEU has identified this as a key aspect of a trade mark's "essential function": Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139 at [7] ; Case C-10/89 *Cnl Sucal v Hag* [1990] ECR I-3711 at [14]; Case C-206/01 *Arsenal FC plc v Matthew Reed* [2002] ECR I-10273 at [48].

also enables the trade mark to signify commercial accountability for the marked products and transmit its messages of likely consistency and reassurance based on their common commercial origin. The exclusivity of its owner's right to make proprietary use of the relevant sign is therefore necessary since the trade mark would not otherwise differentiate marked products from others of the same kind on this basis or at least would not do so with the requisite degree of clarity.⁴⁴

However, to ensure that the owner's demand-side monopoly does not give it an unfair competitive advantage, trade mark law must restrict the kind of signs that firms can register for this purpose. It does this through the absolute grounds for refusal that prevent firms from registering signs that consumers are unlikely to perceive as trade marks, signs that would attract demand for ulterior reasons and other signs that would give a firm an unfair advantage in the circumstances.⁴⁵ Moreover, the demand-side monopoly needs to cover only proprietary use of the relevant sign or at least use in a way that relevant consumers are likely to perceive as contributing to the overall branding of products of the relevant kind. In other words, the capacity to perform this operational function does not require a broader monopoly that covers any appearance of the relevant sign on products of the relevant kind or in communication concerning products of the relevant kind.

A trade mark's capacity to perform its ancillary demand-side operational functions of attracting and soliciting and reeling in specific demand to marked products should reflect and reinforce the exclusivity that is necessary for the owner to make proprietary use of the relevant sign. The relevant sign should acquire a special meaning as a trade mark and thereby provide a means of referring to marked products

⁴⁴ There is an exception to this absolute right in cases of honest concurrent use: *Budejovický Budvar Narodní v Anheuser-Busch* [2012] EWCA Civ 880.

⁴⁵ Directive, art. 3(1); 2015 Directive, art. 4(1). On the role of the absolute ground for refusal covering bad faith in combatting unfair competition in this respect, see N.M. Dawson, "Bad Faith in European Trade Mark Law", [2011] IPQ 229-258.

in communication of various kinds. Its owner therefore requires sufficient control to ensure that third parties selling, supplying or marketing products of the relevant kind respect this special meaning when they use the relevant sign referentially. This control should also cover how third parties respond to consumers when they make referential use of the sign in their searches, requests or enquiries. As long as the owner has this minimum level of control, there is a good case for entitling third parties to make referential use of the relevant sign in comparative advertising and other promotional activity so that they can compete more effectively and in particular so that they can challenge established market leaders.⁴⁶ Third parties would then be free to promote alternatives to marked products and to alert consumers to the availability of alternatives.

Third parties should also have some latitude as to how they respond to consumers' referential use of a trade mark in searches, requests and enquiries, especially where the trade mark has gained a high level of recognition. Third parties should be entitled to check the true intention of consumers in using the relevant sign, to alert them to alternatives and to seek to persuade them to switch their demand. However, third parties doing this should make it clear to consumers what they are doing and in particular that the alternatives have a different commercial origin. Without third parties having some latitude along these lines, the owner of a familiar trade mark could be left free to enjoy excessive market power.

As regards the supply-side monopoly, this ensures the owner's practical control over marked products. It gives the owner sufficient control to ensure that marked products are not just products "of one undertaking", but have the specific combination of quality, features and other characteristics that the owner intends this

⁴⁶ See the preamble to Directive 2006/114/EC concerning misleading and comparative advertising (codified version) at Recital (13): "It may, however, be indispensable in order to make comparative advertising effective, to identify the goods or services of a competitor, making reference to a trade mark or trade name of which the latter is proprietor".

particular brand of products to have. This supply-side control is an essential complement to the trade mark's demand-side roles as a means of product differentiation and as source of information and reassurance about product quality and characteristics. The supply-side monopoly secures the owner's ability to accept commercial responsibility for marked products through giving the owner control over the track record on which the trade mark's reputation is based. It also ensures the unitary control over marked products that gives a trade mark the capacity to acquire a form of personality with an image and other associations.

Where the marked products are goods, the owner requires some ancillary control over the further marketing of marked products downstream. In principle, this ancillary control should reinforce the absolute control the owner has at the point of first marketing and protect its economic significance. In particular, the owner should have sufficient ancillary control over the use of its trade mark for further marketing to ensure that goods cannot be marketed as marked goods if their condition, quality or other characteristics are likely to damage the trade mark's reliability as a basis of communication and source of reassurance. In other words, the owner should be entitled to prevent marked goods from being further marketed under the trade mark in circumstances that are likely to undermine the commercial accountability that use of the trade mark is supposed to establish and signify. Subject to the owner having this minimum level of ancillary control over downstream movement, there is a good case for entitling third parties to use the trade mark for the further marketing of marked goods, especially since the owner should have already secured an economic return from the trade mark's capacity to attract specific demand to these particular goods. This would help to promote downstream or "intra-brand" competition and curb the scope that the owner would otherwise have for territorial and other forms of price discrimination.⁴⁷

⁴⁷ On territorial and other forms of price discrimination in this context, see R. Schmalensee, "Output and Welfare Implications of Monopolistic Third-Degree Price Discrimination", (1981) 71 *American*

It is arguable that the owner's ancillary supply-side control over the use of its trade mark downstream should cover all matters over which the owner has control at the point of first marketing that contribute to the trade mark's capacity to attract specific demand. On this basis, the owner should be entitled to protect all aspects of the trade mark's image and any other associations that it has acquired as well as its reputation concerning product quality and characteristics. Insofar as this would protect the trade mark's capacity to attract specific demand through increasing the emotional appeal of marked products, the case is a debatable one. However, there is a much stronger case for extending the owner's ancillary control downstream to include standards of business behaviour where these are matters that the owner seeks to control upstream and to vouch for through the trade mark.⁴⁸ This would strengthen the incentive that trade marks provide for firms to cultivate a good reputation in this respect and the extension would have more obvious social value.

3. The Specification and Elaboration of the Core Ground of Infringement

Economic Review 242-247; K.E. Maskus, "Economic Perspectives on Exhaustion and Parallel Imports", in I. Calboli and E. Lee (eds), *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (Edward Elgar, 2016) 106-124 at 112-113.

⁴⁸ On the potential role of trade marks and brands in promoting corporate social responsibility, see A.P. Griffiths, "Trade Marks and Responsible Capitalism", (2012) 43 *International Review of Intellectual Property and Competition Law* 798-824; M. Chon, "Slow Logo: Brand Citizenship in Global Value Networks", (2014) 47 *UC Davis Law Review* 935-968; M. Chon, "Trademark Goodwill as a Public Good: Brands and Innovations in Corporate Social Responsibility", forthcoming in (2017) 21 *Lewis & Clark Law Review*, also available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2870029 (accessed March 2017).

The Directive and the 2015 Directive specify the exclusive rights that an applicant acquires through registering a sign as a trade mark in the form of three grounds of infringement.⁴⁹ The first of these grounds (“the core ground”) entitles the owner of a trade mark:

“to prevent all third parties not having consent from using in the course of trade, in relation to goods or services, where: (a) the sign is identical with the trade mark and is used in relation to goods or services which are identical with those for which the trade mark is registered”.⁵⁰

The preambles to both directives state that the protection afforded by the registered trade mark “should be absolute in the event of there being identity between the mark and the corresponding sign and the goods or services”.⁵¹ However, the relevant recitals qualify this statement by noting that the function of the protection “is in particular to guarantee the trade mark as an indication of origin”.⁵² This qualification adds weight to the view that the core ground should limit the owner’s control along the lines discussed in section 2 of this article.

The Court of Appeal has summarised the CJEU’s elaboration of the core ground of infringement as requiring the owner to satisfy six conditions:⁵³ (i) there must

⁴⁹ Directive, art. 5(1) & 5(2); 2015 Directive, art. 12(2).

⁵⁰ 2015 Directive, art. 12(2)(a); Directive, art. 5(1)(a).

⁵¹ 2015 Directive, recital (16); Directive, recital (11).

⁵² 2015 Directive, recital (16); Directive, recital (11).

⁵³ *Interflora v Marks & Spencer* [2014] EWCA Civ 1403 at [67]. See also the judgments of Arnold J in *Interflora v Marks & Spencer* [2013] EWHC 1291 (Ch) at [177]; and *Supreme Petfoods v Henry Bell* [2015] EWHC 256 (Civ) at [83]. See further Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [51]; Case C-245/02 *Anheuser-Busch v Budejovicky Budvar* [2004] ECR I-10989 at [59]; Case C-48/05 *Adam Opel v Autec* [2007] ECR I-1017 at [18]-[22]; Case C-17/06 *Céline v Céline* [2007] ECR I-7401 at [16]; Case C-62/08 *UDV North America v Brandtraders* [2009] ECR I-1279 at [42]; Case C-487/07 *L’Oréal v Bellure* [2009] ECR I-5185 at [58]-[64].

be use of a sign by a third party within the relevant territory; (ii) the use must be in the course of trade; (iii) it must be without the consent of the proprietor of the trade mark; (iv) it must be of a sign which is identical to the trade mark; (v) it must be in relation to goods or services which are identical to those for which the trade mark is registered; and (vi) it must affect or be liable to affect one of the functions of the trade mark. For convenience, this article will use this scheme of numeration. In applying these conditions, the CJEU has ruled that a court or other tribunal should not focus on the sign that a third party is using in isolation and devoid of context, but should take account of the particular context of the third party's use.⁵⁴ On this basis, these conditions can be viewed as an adaptation of the conditions of the core relative ground for refusal to the much wider range of circumstances in which a third party may be using a sign that is identical to a trade mark.⁵⁵

Conditions (i) – (v) of the Core Ground of Infringement

These conditions reflect the Directive's specification of the core ground. The CJEU has provided significant guidance on condition (ii), which is the main qualifying factor in the Directive's specification. The CJEU has ruled that use "in the course of trade" means that the third party's use should take place "in the context of commercial activity with a view to economic advantage and not as a private matter".⁵⁶ This means

⁵⁴ Case C-533/06 *O2 Holdings v Hutchison 3G* [2008] ECR I-4231 at [64]; Case C-46/10 *Viking Gas v Kosan Gas* (C-46/10) [2011] ETMR 58 (WL) at [39]-[41]; Case C-252/12 *Specsavers v Asda* [2013] Bus LR 1277 at [45] .

⁵⁵ The CJEU has treated the relative grounds for refusal as "conceptually indistinguishable" from the corresponding grounds of infringement. Case C-39/97 *Canon v MGM* [1998] ECR I-5507 at [16]; Case 291/00 *LTJ Diffusion v Sadas* [2003] ECR I-2799 at [43].

⁵⁶ Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [40]; Case C-245/02 *Anheuser-Busch v Budejovicky Budvar* [2004] ECR I-10989 at [62]; Case C-17/06 *Céline v Céline* [2007] ECR I-

that the third party must usually be an economic operator in the business of selling, supplying or marketing products of the relevant kind rather than as a private individual.⁵⁷ However, the CJEU has also required that the third party should be using the relevant sign “in its own commercial communication”.⁵⁸ This means that the relevant sign should form part of the presentation or commercial identity of the products that the third party is selling, supplying or marketing or that the sign should feature in the third party’s advertising, promotional activity or other communication with consumers concerning products of the relevant kind. The CJEU’s elaboration of condition (ii) therefore means that the core ground does not give the owner of a trade mark a broad monopoly covering any commercial activity in which the relevant sign features and in which a third party can be viewed as profiting from the owner’s investment in building up the value and appeal of the trade mark. The core ground is focused more narrowly on circumstances in which the relevant sign features in the presentation or branding of products of the relevant kind or in communication with consumers related to the sale, supply or marketing of products of this kind.

As regards condition (iii), lack of consent is specified as an overriding requirement for all three grounds of infringement and emphasises the exclusive nature of a trade mark as a resource for attracting specific demand. This condition also reinforces the owner’s supply-side monopoly and the contribution that the trade mark has made to business structures and organisation. The issues that condition (iii) may raise are conceptually similar to other supply-side issues such as those concerning the use of the trade mark for the further marketing of marked goods and the extent of a trade mark owner’s ancillary control over the use of its trade mark (both proprietary and referential) in the context of further marketing. Section 5 will address these supply-side issues.

7401 at [17]; Case C-62/08 *UDV North America v Brandtraders* [2009] ECR I-1279 at [42]; Case C-487/07 *L’Oréal v Bellure* [2009] ECR I-5185 at [57]-[58].

⁵⁷ Case C-324/09 *L’Oréal v eBay* [2012] Bus LR 1369 at [54]-[55].

⁵⁸ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 [55]-[57].

Conditions (iv) and (v) of the core ground reflect the “double identity” requirements of the core relative ground for refusal and the case law on that relative ground provides some guidance on these conditions.⁵⁹ However, infringement can raise additional issues that do not arise in the context of registration and these two conditions have required some refinement to address these issues. In the case of condition (iv), it may not be easy to determine the particular sign that the third party is using.⁶⁰ In the case of condition (v), it may not be easy to determine the particular kind of products “in relation to” which the third party is using its sign. The CJEU has ruled that a third party is usually using a sign “in relation to” the particular products that it is selling, supplying or marketing and therefore in relation to products of this generic kind⁶¹ Nevertheless, the CJEU has accepted there can be exceptions to this general rule.⁶²

The CJEU’s specification of condition (v) in the context of infringement suggests that it may go further than requiring “double identity” in the case of a third party’s use of a particular sign in relation to products of a particular kind and raise an additional issue concerning the nature of the third party’s use of its sign. This aspect of condition (v) appears to operate as an additional limit on the overall scope of the

⁵⁹ Case 291/00 *LTJ Diffusion v Sadas* [2003] ECR I-2799. See, for example, A.P. Griffiths, “The Trade Mark Monopoly: An Analysis of the Core Zone of Absolute Protection”, [2007] IPQ312-349.

⁶⁰ See, for example, *Reed Executive v Reed Business* [2004] EWCA Civ 159; *Ellerman v C-Vanci* [2006] EWHC 1442; *Miss World v Channel 4 TV* [2007] EWHC 982; *Nude Brands v Stella McCartney* [2009] EWHC 2154; *Och-Ziff v OCH Capital* [2010] EWHC 2599.

⁶¹ Case C-48/05 *Adam Opel v Autec* [2007] ECR I-1017 at [28]-[29]; Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [60]. These may be products that the third party is selling, supplying or marketing on its own part or products that it is selling, supplying or marketing on behalf of another party: Case C-62/08 *UDV North America v Brandtraders* [2009] ECR I-1279 at [43]; Case C-324/09 *L’Oréal v eBay* [2012] Bus LR 1369 at [91].

⁶² Case C-63/97 *BMW v Deenik* [1999] ECR I-905 at [39]; Case C-48/05 *Adam Opel v Autec* [2007] ECR I-1017 at [27]-[28].

core ground between conditions (ii) and (vi). This apparent aspect of condition (v) adds unnecessary complexity to the specification of core ground, especially since the CJEU has not provided a clear definition of the limitation or explained how it relates to condition (vi).⁶³ The basis for this view is the provision in the Directive that lists a number of ways in which a third party may infringe a trade mark, these including “affixing the sign to goods or their packaging” and using the sign “in advertising”.⁶⁴ The CJEU has ruled that these all constitute use of the sign “in relation to” products for the purposes of condition (v).⁶⁵ The CJEU has also ruled that this list is non-exhaustive and that using a sign “in relation to” products includes forms of marketing and communication that were not current at the time of the Directive. It has confirmed, for example, that there is use of a sign in relation to products where a third party uses the sign as a keyword to influence on-line search results or to trigger on-line advertising even where the sign does not appear in a triggered advertisement or website.⁶⁶

⁶³ See Arnold J’s criticism of the CJEU’s lack of consistency on this point: *Supreme Petfoods v Henry Bell* [2015] EWHC 256 (Civ) at [85].

⁶⁴ “The following, *inter alia*, may be prohibited under paragraphs 1 and 2: (a) affixing the sign to the goods or to the packaging thereof; (b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder; (c) importing or exporting the goods under the sign; (d) using the sign on business papers and in advertising”: the Directive, article 5(3). In the 2015 Directive, the equivalent provision includes two additional items, namely “(d) using the sign as a trade or company name or part of a trade or company name” (with the previous item in (d) now appearing as (e); and “(f) using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC”: the 2015 Directive, art. 10(3).

⁶⁵ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [61], citing Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [41]; and Case C-48/05 *Adam Opel v Autec* [2007] ECR I-1017 at [20].

⁶⁶ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [62]-[73].

The CJEU's expansive and flexible conception of "use in relation to" products appears to leave little room for condition (v) to operate as an additional filtering device. Nevertheless, the CJEU has treated it as being one and has ruled that this aspect of condition (v) is satisfied where a third party uses a sign in such a way that "a link is established" between the sign and the products that the third party is selling, supplying or marketing.⁶⁷ This appears to cover both the presence of the relevant sign on a third party's products and its appearance in communication between a third party and consumers concerning products of the relevant kind.⁶⁸

Condition (vi) of the Core Ground of Infringement

Condition (vi) is the condition that the CJEU has added to the specification of the core ground in the Directive. It requires that a third party's use of a sign that satisfies conditions (i) to (v) must also be liable to affect one of the functions of the trade mark, which the CJEU at first described simply as including "in particular its essential function of guaranteeing to consumers the origin of the goods".⁶⁹ The court subsequently confirmed that they also include "other functions", mentioning "in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising".⁷⁰ The CJEU has used this

⁶⁷ Case C-17/06 *Céline v Céline* [2007] ECR I-7401 at [22]-[23]; Case C-62/08 *UDV North America v Brandtraders* [2009] ECR I-1279 at [47]; Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [72]; Case C-324/09 *L'Oréal v eBay* [2012] Bus LR 1369 at [92]-[93]. The 2015 Directive lists "using the sign as a trade or company name or part of a trade or company name" as an example of infringing use. This appears to override the CJEU's judgment in *Céline v Céline* so that such use counts as infringement regardless of whether consumers are likely to perceive the necessary "link" between the name and the products that the third party is selling, supplying or marketing: 2015 Directive, art. 10(3)(d).

⁶⁸ Case C-324/09 *L'Oréal v eBay* [2012] Bus LR 1369 at [AG89] and [93].

⁶⁹ Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [51].

⁷⁰ Case C-487/07 *L'Oréal v Bellure* [2009] ECR I-5185 at [58].

condition to calibrate the control that the core ground gives the owners of trade marks along the lines discussed in section 2. However, it has taken a circuitous legal route to do this and there are some shortcomings.

Condition (vi) has proved to be complicated and controversial. Ideally, it would address the demand-side and supply-side roles of a trade mark separately. It would also draw a clear line between protecting the owner's absolute right to make proprietary use of the sign and securing the qualified ancillary control that the owner needs over referential use of its trade mark so that it can perform its ancillary demand-side functions effectively. The functions that the CJEU has identified in condition (vi) do not readily correspond to the various operational functions discussed in section 2. The CJEU elaborated condition (vi) in *Arsenal FC v Matthew Reed*.⁷¹ This case involved the presence of the relevant sign in question on products of the relevant kind. The CJEU confirmed that the core ground does not give the owner absolute control over the sale, supply or marketing of products on which the relevant sign appears. Instead, the "absolute" nature of the protection that the owner enjoys under core ground should reflect the economic objectives of the Directive and merely be sufficient "to ensure that the trade mark can fulfil its functions".⁷²

In the *Arsenal FC* case, the CJEU focused on the trade mark's "essential" function and its description of this function encompasses both the demand-side and supply-side monopolies.⁷³ The protection of this function provides a basis for securing

⁷¹ Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273. The CJEU had anticipated this development in an earlier judgment. It had held that a third party had not infringed two trade marks under the core ground because the third party's use of the relevant signs had not infringed "any of the interests which [the ground of infringement] is intended to protect": Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187 at [16]-[17].

⁷² Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [51].

⁷³ The CJEU described the essential function as being to "guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user, by enabling him without any possibility of confusion to

these monopolies and indicates how each of them should be calibrated. In particular, on the demand side, the *Arsenal FC* judgment confirmed that the owner's absolute right should be limited to situations in which relevant consumers would be likely to perceive a third party's use of the relevant sign on products of the relevant kind or communication concerning products of this kind as proprietary in nature. On the supply side, the CJEU linked the protection of a trade mark's essential function to the owner's exclusive right to determine which products of the relevant kind could be marketed as marked products and thereby to determine the products for which it was willing to accept commercial responsibility in respect of quality.⁷⁴ The CJEU in fact drew its description of the essential function of a trade mark from judgments it had given concerning the owner's supply-side monopoly and the owner's ancillary control over the further marketing of marked goods.⁷⁵ However, the CJEU has not addressed the supply-side monopoly directly and separately in its development of condition (vi).

When the CJEU further elaborated condition (vi) in *L'Oréal v Bellure*,⁷⁶ the CJEU indicated that a third party's referential use of a trade mark in advertising

distinguish that product from products which have another origin": Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [48].

⁷⁴ Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [48].

⁷⁵ Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139 at [7]. See also Case C-10/89 *Cnl Sucal v Hag* [1990] ECR I-3711 at [14]; Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789 at [38]-[39]; Case C-427/93 *Bristol-Myers Squibb v Paranova* [1996] ECR I-3457 at [43]; Case C-349/95 *Loendersloot (Frits) v Ballantine* [1997] ECR I-6227 at [22].

⁷⁶ Case C-487/07 *L'Oréal v Bellure* [2009] ECR I-5185 at [58]. See also Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [77]; Case C-278/08 *Die BergSpechte v Günter Guni* [2010] ECR I-2517 at [31]; Case C-558/08 *Portakabin v Primakabin* [2010] ECR I-6963 at [30]; Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [38]; Case C-482/09 *Budejovicky Budvar v Anheuser-Busch* [2012] Bus LR 298 at [71]. This specification of the additional functions can be found in the opinion of AG Jacobs in Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013 at [AG41]-[AG42]. See also C. Gielen, "Harmonisation of Trade Mark Law in Europe", [1992] EIPR 262-

would *ipso facto* be liable to affect one of the additional protected functions of a trade mark that it identified in that case.⁷⁷ The immediate practical effect of this was to shift the legal basis for calibrating the extent of the owner's control in this context onto the defences available to third parties and to ensure that the owner could enforce the terms of that calibration directly against third parties.⁷⁸ In particular, the CJEU ensured that the owner in *L'Oréal v Bellure* had sufficient control over referential use of its trade marks in comparative advertising to enforce the conditions of the Misleading and Comparative Advertising Directive ("MCAD") against the third parties in that case.⁷⁹ However, condition (vi) is a general condition and the CJEU's elaboration of it to include additional functions has extended the control that trade mark owners have over use of the signs they have registered as trade marks generally and not just their control over referential use of their trade marks in advertising.

Sections 4 and 5 will consider the implications of the elaboration of condition (vi) for the demand-side and supply-side roles of trade marks respectively. However, there are some initial observations to make here. In *L'Oréal*, the CJEU addressed the

269; W. Cornish, *Intellectual Property* (3rd ed.) (Sweet & Maxwell, 1996)) at 527-529.

⁷⁷ The national court would have to determine whether this was in fact the case: Case C-487/07 *L'Oréal v Bellure* [2009] ECR I-5185 at [63].

⁷⁸ For a survey of the different legal mechanisms that can be used to calibrate the exclusive rights of trade mark owners, see L.P. Ramsey and J. Schovsbo, "Mechanisms for Limiting Trade Mark Rights to Further Competition and Free Speech", (2013) 44 *International Review of Intellectual Property and Competition Law* 671-700.

⁷⁹ Directive 2006/114/EC concerning misleading and comparative advertising, which consolidated the advertising Directive 84/450/EC as amended by Directive 97/55/EC. The CJEU has subsequently treated the use of a trade mark in comparative advertising that does not comply with a condition of the MCAD as infringement of that trade mark although it did not explain the legal route to this finding: Case C-159/09 *Lidl v Vierzon* [2011] 2 CMLR 10 (WL). As noted above, the 2015 Directive now includes "using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC" in its list of uses of a sign that may infringe a trade mark: the 2015 Directive, art. 10(3).

“communication, investment or advertising” functions together and did not specify which of them the third parties’ activity had been liable to affect. In subsequent cases, it has addressed the “advertising” and “investment” functions separately and has emphasised their distinction from each other. The CJEU has described the advertising function as the use of a trade mark “as a factor in sales promotion or as an instrument of commercial strategy”.⁸⁰ It has described the investment function as the use of a trade mark “to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty”.⁸¹ The CJEU has held that the latter function is distinct from the advertising function because where the owner uses its trade mark to acquire or preserve a reputation, “not only advertising is employed, but also various commercial techniques”.⁸²

The CJEU has explained its elaboration of condition (vi) as taking account of the fact that firms often use their trade marks to do more than perform their essential function of signifying an exclusive identify based on their commercial origin. A firm may also use a trade mark as “an instrument of commercial strategy” for, *inter alia*, “advertising purposes or to acquire a reputation in order to develop consumer loyalty”.⁸³ The extension of the owner’s control should therefore enable it to protect the capacity of a trade mark to attract consumers in the various ways that section 2 has noted. This includes protecting an image and associations built up for the trade mark through advertising and other promotional activity that exerts emotional appeal to consumers or certain of them. The CJEU has been willing to treat activity that damages “the image” of a marked product as thereby damaging “the reputation of the trade mark”.⁸⁴ However, the CJEU has ruled that there are no grounds for holding

⁸⁰ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [92].

⁸¹ Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [60].

⁸² Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [61].

⁸³ Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [39].

⁸⁴ Case C-324/09 *L’Oréal v eBay* [2012] Bus LR 1369 at [83]. The CJEU has also treated “the allure and prestigious image” of luxury goods “which bestows on them an aura of luxury” as contributing to the

that only trade marks with “a reputation” are capable of having functions in addition to their essential function.⁸⁵

The CJEU has recognised that not all trade marks perform the additional functions whereas all trade marks are supposed to perform the essential function.⁸⁶ A trade mark only performs the additional functions if its owner uses it to that end.⁸⁷ This suggests that the elaboration of condition (vi) extends the owner’s control to enable it to protect any presence that it has gained in the minds of consumers, especially through investment in advertising and promotional activity. As section 2 has noted, gaining a presence of this kind can increase the effectiveness of a trade mark as a reference point and communication device as well as its economic value. The elaboration of condition (vi) has therefore strengthened the scope for using trade marks to achieve product differentiation that extends to intangible characteristics based on emotional appeal despite the questionable social value of this kind of appeal and despite the argument that it may impede rather than promote competition.

4. The Demand-Side Monopoly and Ancillary Control

This section will consider how well the core ground of infringement protects the demand-side role of a trade mark. It has been seen how a trade mark may perform up to three operational functions as part of this role. The first of these is the trade mark’s capacity to confer a distinctive identity on certain products of the relevant kind (or to contribute to such an identity) and thereby brand them and differentiate them from others. Branding turns products into specific objects of demand and, as section 2 has

“quality” of such goods and worthy of protection: Case C-59/08 *Copad v Christian Dior Couture* [2009] ECR I-3421 at [24]-[26].

⁸⁵ Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [39].

⁸⁶ Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [40].

⁸⁷ Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [40].

shown, this may attract specific demand for a number of reasons. The two ancillary operational functions both involve referential use of the trade mark. One is to provide a reference point that the owner can use in advertising and promotional activity to solicit specific demand for the marked products. Here, the trade mark gives the owner a basis for communicating with consumers about the marked products through various media and for reaching a wide potential source of specific demand. The owner can also use the trade mark in this way to cultivate or strengthen a particular image and set of associations for the trade mark that it can confer onto the marked products. In effect, the trade mark becomes a means of adding an intangible form of quality to the marked products, which may have emotional appeal to consumers or a section of them. The other ancillary operational function applies where the trade mark signifies verbally. Such a trade mark gives consumers a basis for seeking and acquiring information about marked products and for expressing specific demand for them. From the owner's perspective, such a trade mark provides a means of directing or "reeling in" specific demand from consumers to marked products. This function is especially important where consumers communicate with and obtain marked products from third party intermediaries rather than the owner.

For a trade mark to be effective at these three operational functions, the owner needs various levels of control over how third parties selling, supplying or marketing products of the relevant kind use the relevant sign. To ensure the trade mark's effectiveness as a means of branding products of the relevant kind, the owner needs an absolute right to prevent third parties from using the relevant sign in a way that relevant consumers may perceive as proprietary or as conveying information about the commercial origin of products of the relevant kind. The owner may also require some additional control to ensure the trade mark's effectiveness at performing the ancillary operational functions, though the scope of this ancillary control is debatable. Any ancillary control would relate to how third parties use the relevant sign in their own advertising and in any other communication with consumers, including their response to consumers' use of the relevant sign.

Protecting the Owner's Exclusive Right to Make "Proprietary" Use of the Relevant Sign as a Trade Mark

The CJEU has established that a third party is using the relevant sign "in relation to" particular products and may therefore satisfy condition (v) of the core ground of infringement in two broad situations. There first is where the sign appears on products that the third party is selling, supplying or marketing or on their packaging. The second is where the sign appears in material or some other kind of communication with consumers relating to products that the third party is selling, supplying or marketing. The CJEU has ruled that the third party should be using the sign in such a way that it establishes "a link" with the third party's products.⁸⁸ The second situation therefore covers a third party's referential use of the relevant sign in advertising and promotional material and a third party's response to consumers' use of the relevant sign in searches, requests and enquiries.⁸⁹ This covers a wide range of possibilities. Without the further qualification achieved through condition (vi), the core ground would have given the owner a monopoly that extended far beyond the scope that the economic objectives of the trade mark system could justify.

Condition (vi) has narrowed down the range of possibilities and limited the owner's overall monopoly accordingly. Moreover, focusing this condition on the protection of the trade mark's essential function in this context secures the owner's exclusive right to make proprietary use of the relevant sign to brand products of the relevant kind. The CJEU's initial formulation of condition (vi) in the *Arsenal FC* case

⁸⁸ Case C-17/06 *Céline v Céline* [2007] ECR I-7401 at [22]-[23]. See also *Merck v Merck Sharp and Dohme* [2016] EWHC 49 at [165].

⁸⁹ Case C-533/06 *O2 Holdings v Hutchison 3G* [2008] ECR I-4231 at [36] and [37]; Case C-487/07 *L'Oréal v Bellure* [2009] ECR I-5185 at [53]; Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [60]-[74]; Case C-278/08 *Die BergSpechte v Günter Guni* [2010] ECR I-2517 at [19]; Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [31].

therefore appeared to establish a satisfactory calibration of the owner's demand-side monopoly.⁹⁰ The CJEU made some further comments in that case to show how it would do this. The CJEU referred to the need for all products "bearing" or "designated" by the trade mark to have been manufactured or supplied under the control of its owner.⁹¹ The owner should therefore have an absolute right to prevent a third party from using the relevant sign in any way that amounts to "designating" (and in effect "branding") products of the relevant kind or that involves products of the relevant kind "bearing" the relevant sign. Once it is established that the third party is doing this, then condition (vi) is satisfied and the owner's absolute protection under the core ground is triggered.

The CJEU' has held that a third party's use of the relevant sign is liable to affect a trade mark's essential function in one of these ways if it creates the impression that there is "a material link in the course of trade" between the third party's products and the trade mark's owner.⁹² It has also held that it does so when relevant consumers are likely to perceive the third party's use of the sign "as designating or tending to designate" the commercial origin of the third party's products.⁹³ Where the sign appears on the third party's products, this includes

⁹⁰ Case C-206/01 *Arsenal FC plc v Matthew Reed* [2002] ECR I-10273 at [48].

⁹¹ Case C-206/01 *Arsenal FC plc v Matthew Reed* [2002] ECR I-10273 at [48] and [58].

⁹² Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [56]. See also Case C-245/02 *Anheuser-Busch v Budejovicky Budvar* [2004] ECR I-10989 at [60]; Case C-62/08 *UDV North America v Brandtraders* [2009] ECR I-1279 at [49].

⁹³ Case C-245/02 *Anheuser-Busch v Budejovicky Budvar* [2004] ECR I-10989 at [60]; Case C-48/05 *Adam Opel v Autec* [2007] ECR I-1017 at [23]. In *Céline v Céline*, the CJEU held that a third party's use of the relevant sign as a business name would only satisfy condition (vi) if "consumers [would be] liable to interpret it as designating the origin of the goods or services in question": Case C-17/06 *Céline v Céline* [2007] ECR I-7401 at [27]. However, the 2015 Directive now specifies, "using the sign as a trade or company name or part of a trade or company name" as an example of something that can be prohibited under the grounds of infringement: 2015 Directive, art. 10(3)(d).

consumers who may encounter them after the point of sale. A third party cannot therefore negate any impression that it is using the relevant sign to brand its products or to signify that they have an economic link of some kind with the trade mark's owner by a disclaimer or warning notice at the point of sale.⁹⁴ The CJEU's reliance on the perception of relevant consumers in this exercise means that a court can take account of the particular knowledge, attentiveness and circumspection that such consumers would be likely to have. The so-called "average consumer" is a familiar benchmark in European trade mark law.⁹⁵ Such consumers are the potential source of specific demand for marked products and how they perceive the use of the relevant sign in a particular context is therefore critical to the trade mark's capacity to brand products and differentiate them from others on the basis of their commercial origin.

The CJEU's introduction of condition (vi) appears inconsistent with the statement in the preamble to the Directive that the core ground of infringement should give trade mark owners absolute protection in cases of double identity.⁹⁶ The requirement to show a likely effect on the trade mark's essential function also appears to conflict with the idea that a likelihood of confusion should be presumed in cases of double identity.⁹⁷ Condition (vi) therefore seems to blur the distinction between the core ground and the second ground of infringement, which is subject to a requirement that there should be "a likelihood of confusion on the part of the public".⁹⁸

⁹⁴ Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [57]; Case C-245/02 *Anheuser-Busch v Budejovicky Budvar* [2004] ECR I-10989 at [60].

⁹⁵ *Interflora v Marks & Spencer* [2013] EWHC 1291 at [208]-[224]. See further J. Davis, "Locating the Average Consumer: His Judicial Origins, Intellectual Influences and Current Role in European Trade Mark Law", [2005] IPQ183-203; J. Davis, "Revisiting the Average Consumer", [2015] IPQ15-30.

⁹⁶ 2015 Directive, recital (16); Directive, recital (11).

⁹⁷ For example, the Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 ("TRIPs Agreement") states that in the case of "the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed": art. 15(1).

⁹⁸ Directive, art. 5(1)(b); 2015 Directive, art. 10(2)(b).

Nevertheless, the nature of the demand-side monopoly that the owner requires means that the law's absolute protection of it should focus on situations in which relevant consumers are likely to perceive a third party's use of the relevant sign as proprietary in nature or as conveying information about the commercial origin of its products. If this is the case, then the owner should enjoy absolute protection in the same way as if the third party were seeking to register the relevant sign as a trade mark for products of the relevant kind. This can be a fine distinction, but calibration of the owner's core protection along these lines is necessary to prevent the owner enjoying an excessive demand-side monopoly, especially given the broad scope of condition (v) and the range of activity that may constitute using the relevant sign "in relation to" products of the relevant kind. If the core ground were broader in scope, there would have to be a comprehensive set of defences available to third parties to achieve a satisfactory calibration of the demand-side monopoly. The boundary between the core ground and the second ground of infringement can appear particularly blurred in cases concerning how a third party should respond to a consumers' referential use of the relevant sign in requests, enquiries or searches.⁹⁹ Here, however, the application of the core ground has to take account of the fact that the third party's use of the relevant sign takes the form of an implicit representation to consumers, which the third party may have to qualify to respect the sign's meaning as a trade mark. This issue will be considered further below.

Condition (vi) therefore provides a general qualifying condition that secures a trade mark owner's exclusive right to make proprietary use of it without conferring a broad monopoly that defences would have to calibrate. Moreover, it covers the wide range of circumstances in which a firm may use a sign in a way that brands its products or that signifies or conveys information about their commercial origin. This is especially important in the digital age when consumers can perceive the availability of products and gather information about them through various media and

⁹⁹ See, for example, the discussion of this point in *Interflora v Marks & Spencer* [2014] EWCA Civ 1403 at [141]-[151].

intermediaries. This increases the likelihood that consumers may perceive a third party's use of a sign in its advertising or other communication as signifying the branding of its products or as conveying information about their branding or commercial origin. Even where the third party intends its use of the relevant sign to be referential to the trade mark, relevant consumers may still be unlikely to recognise it as such.

Securing and Qualifying the Owner's Control over "Referential" Use of its Trade Mark

The calibration of condition (vi) to protect a trade mark's essential function gives the owner of a trade mark some control over the ability of third parties to make referential use of it. However, this leaves a third party free to use the relevant sign in this way as long as it does not do so in a way that creates the impression that its products are marked products or have an economic connection of some kind to the trade mark or its owner.¹⁰⁰ As noted in section 2, there is a case for extending the owner's control further, especially when the trade mark has established a presence in the minds of consumers that referential use can trigger and affect. The gist of this case is not that the owner should have a monopoly over such use, but that the owner should have sufficient control as to entitle it to police a third party's use of its trade mark in advertising and ensure that the third party complies with the terms of applicable defences. These defences would give third parties some freedom to use the trade mark referentially in this way and would determine the extent of the owner's control. However, the owner would be entitled to enforce the terms of these defences directly against third parties. Prior to its introduction of condition (vi), the CJEU did appear to have accepted that owners had control over referential use of their trade marks in

¹⁰⁰ Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [56]. See also Case C-245/02 *Anheuser-Busch v Budejovicky Budvar* [2004] ECR I-10989 at [60]; Case C-62/08 *UDV North America v Brandtraders* [2009] ECR I-1279 at [49].

advertising along these lines. In *BMW v Deenik*, the CJEU had treated this as infringement under the core ground on the basis that the Directive had listed this as a specific instance of infringing activity.¹⁰¹ The CJEU's initial elaboration of condition (vi) with its focus on protecting the essential function therefore appeared to call the extent of this control into question.

The CJEU confirmed that trade mark owners do have more extensive control over referential use in advertising (or at least in comparative advertising) in its further elaboration of condition (vi) in *L'Oréal v Bellure*.¹⁰² In its judgment, the CJEU indicated that the third parties' referential use of the owners' trade marks in promotional material that constituted comparative advertising was *ipso facto* liable to affect the additional functions of these trade mark.¹⁰³ The CJEU held that the third parties would only have a defence if they could show that their advertising complied with all the conditions of the MCAD.¹⁰⁴ The CJEU thereby established that the owner of a trade mark can use the core ground of infringement to enforce the terms of the MCAD directly against third parties, at least where they use the exact form of the trade mark in their advertising.¹⁰⁵ The CJEU has continued to treat this as being the case, although without stating the specific legal basis.¹⁰⁶ The 2015 Directive has added further complication to understanding the legal basis of the owner's control here by adding use of a sign in comparative advertising that does not comply with the

¹⁰¹ Case C-63/97 *BMW v Deenik* [1999] ECR I-905.

¹⁰² Case C-487/07 *L'Oréal v Bellure* [2009] ECR I-5185 at [61]-[63].

¹⁰³ Case C-487/07 *L'Oréal v Bellure* [2009] ECR I-5185 at [61]-[63].

¹⁰⁴ Case C-487/07 *L'Oréal v Bellure* [2009] ECR I-5185 at [54], citing Case C-533/06 *O2 Holdings v Hutchison 3G* [2008] ECR I-4231 at [45] and [51].

¹⁰⁵ The CJEU had previously held that, where an advertiser uses a similar sign as an approximation of the owner's trade mark, there could only be infringement under one of the other grounds and the owner would have to satisfy the conditions of those grounds: Case C-533/06 *O2 Holdings v Hutchison 3G* [2008] ECR I-4231.

¹⁰⁶ Case C-159/09 *Lidl v Vierzon* [2011] 2 CMLR 10 (WL).

comparative advertising directive to the non-exhaustive list of examples of infringing activity.¹⁰⁷

As well as extending the control that a trade mark owner has over referential use in comparative advertising, the CJEU's elaboration of condition (vi) has extended their control generally over a third party's use of the relevant sign. Although this extension appears open-ended and unclear in its scope, the main impact appears to be that achieved through the recognition and protection of a trade mark's "investment" function. As noted in section 3, this function focuses on the capacity of a trade mark to acquire and preserve a reputation that can attract consumers and retain their loyalty.¹⁰⁸ In practice, this is most likely to protect attractive power based on an image or set of associations that has emotional appeal to consumers or a section of them. The case for extending the scope of the core ground to provide general protection for attractive power of this kind is very weak, given its questionable social value.¹⁰⁹ There is a stronger case for extending the owner's control specifically to cover referential use in advertising generally and for putting this control on a sound legal basis. The terms and provisos of the various applicable defences would provide the main calibration of the owner's control over this kind of use and the owner would have a direct legal right to enforce these terms against third parties.¹¹⁰ Instead, the current position has become rather confusing. Not even the legal basis on which the owner of a trade mark can enforce the conditions of the MCAD is clear. The statement in the 2015 Directive that using the relevant sign in comparative advertising "in a manner that is contrary

¹⁰⁷ "The following in particular may be prohibited under paragraph 2: ... (f) using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC": 2015 Directive, art. 10(3).

¹⁰⁸ On the investment function, see Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [60].

¹⁰⁹ M. Senftleben, "Function Theory and International Exhaustion: Why it is Wise to confine the Double Identity Rule in EU Trade Mark Law to Cases affecting the Origin Function", (2014) 36 EIPR 518-524.

¹¹⁰ As well as the MCAD in the case of advertising, these include the defences specified in the Directive: Directive, art. 6(1); 2015 Directive, art. 14(1) & (2).

to” the MCAD does not clarify this and calls into question how much control the owner enjoys over referential use of its trade mark in other forms of advertising.

Like the Directive, the 2015 Directive lists using the relevant sign “in advertising” as an instance of infringing activity.¹¹¹ In *BMW v Deenik*,¹¹² the CJEU held that referential use of this kind was infringement under the core ground, but that an advertiser could rely on the defences under the Directive, in particular the defence that covers use of a sign to convey descriptive information.¹¹³ To do so, the advertiser would have to show that it had complied with the general proviso to these defences that it was acting “in accordance with honest practices”,¹¹⁴ which the CJEU characterised as expressing “a duty to act fairly in relation to the legitimate interests of the trade mark owner”.¹¹⁵ The CJEU has indicated that a third party will violate this proviso not only where its advertising creates a false impression of an economic connection with the trade mark, but in other circumstances that are comparable to conditions of the MCAD.¹¹⁶ In the *BMW* case, the CJEU noted an earlier judgment

¹¹¹ “... (e) using the sign in business papers and in advertising”: 2015 Directive, art. 10(3).

¹¹² Case C-63/97 *BMW v Deenik* [1999] ECR I-905.

¹¹³ “The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade ... (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services; (c) the trade mark where necessary to indicate intended purpose of a product or service, in particular as accessories or spare parts ... provided he uses them in accordance with honest practices in industrial or commercial matters”: Directive, art. 6(1). The 2015 Directive has recast these defences in substantially the same terms: art. 14(1) & (2).

¹¹⁴ Directive, art. 6(1); 2015 Directive, art. 14(1) & (2).

¹¹⁵ Case C-63/97 *BMW v Deenik* [1999] ECR I-905 at [61]. See also Case C-100/02 *Gerolsteiner Brunnen v Putsch* [2004] ECR I-691 at [24]; Case C-228/03 *Gillette v LA-Laboratories* [2005] ECR I-2337 at [41].

¹¹⁶ The third party’s use will also violate the proviso if “it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute” or “it entails the discrediting or denigration of that mark” or “where the third party presents its product as an imitation or replica of the trade mark bearing

concerning the extent of an owner's control over referential use of its trade mark in advertising.¹¹⁷

In *Parfums Christian Dior*, the advertiser was selling legitimate marked goods, which the owner had already marketed as such within the EEA. The CJEU held that it should be free to use the trade mark referentially in advertising to publicise this further marketing.¹¹⁸ However, it limited the third party's right to do this to strike a balance with the owner's "legitimate interest" in being protected against use of the trade mark "for advertising in a manner which could damage the reputation of the trade mark".¹¹⁹ The CJEU held that where the owner had cultivated an image of luxury and prestige for the trade mark, the third party was obliged to prevent its advertising "from affecting the value of the trade mark by detracting from the allure and prestigious image of the goods in question and from their aura of luxury".¹²⁰ Again, the extent of the owner's control here is comparable to that it enjoys over referential use in comparative advertising under the MCAD.

The case for extending an owner's control over referential use of its trade mark in advertising beyond what is necessary to ensure that third parties respect its meaning rests on the fact that it is third parties who initiate use of it in this situation. Whilst a third party may be seeking to alert consumers of products of the relevant kind to the presence of alternatives to marked products, it is nevertheless seeking to activate a presence that the trade mark has already gained in the minds of consumers in order to market these alternatives more effectively. The owner should have at least a

the trade mark of which it is not the owner": Case C-228/03 *Gillette v LA-Laboratories* [2005] ETMR 825 at [49].

¹¹⁷ Case C-63/97 *BMW v Deenik* [1999] ECR I-905 at [48]-[49], citing Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013 at [38].

¹¹⁸ Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013 at [38].

¹¹⁹ Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013 at [44].

¹²⁰ Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013 at [45].

qualified right to protect all aspects of the trade mark's presence there that contribute to its attractive power. Moreover, there are specific defences available to qualify this extended control to ensure that it does not insulate the owner from effective competition. The CJEU's ruling on the terms of the qualification achieved under the MCAD for use in comparative advertising in its judgment in *L'Oréal v Bellure* has strongly criticised for extending the owner's control too far, thereby impeding useful communication and effective competition from third parties.¹²¹ However, the situation here is very different from the situations that arise in relation to the third operational function where it is consumers who initiate use of the trade mark in communication with third parties and third parties are in various ways responding to that use.

Securing and Qualifying the Owner's Control over Responsive Referential Use of a Trade Mark

For a trade mark to be able to perform its third operational function on the demand side effectively, its owner needs to be able to require third parties to respect its meaning as a trade mark when they respond to consumers' use of the relevant sign in requests, enquiries or searches. This is necessary to reflect and reinforce the owner's exclusive right to make proprietary use of the relevant sign. Without this ancillary control, upstream firms that do not deal directly with consumers (or do not do so always) would not have a reliable means of reeling in and deriving full benefit from the

¹²¹ See in particular Jacob LJ's criticism in his judgment in the Court of Appeal applying the CJEU's ruling: *L'Oréal v Bellure* [2010] EWCA Civ 535 at [6]-[20]. See also D.S. Gangjee and R. Burrell, "Because You're Worth It: *L'Oréal* and the Prohibition on Free Riding", (2010) 73 MLR 282-304. If, as seems likely at the time of writing, the United Kingdom leaves the single market as well as the European Union, then it would have some scope to strike a different balance here and to put the regulation of comparative advertising on a different legal footing.

specific demand focused on their marked products.¹²² The owner of a trade mark needs to be able to rely on third party intermediaries to act as reliable transmission mechanisms for directing specific demand to marked products. However, this does not require giving the owner an absolute right to insist that third parties should only respond to consumers' requests, enquiries and searches expressed in this way by supplying them with or informing them about marked products. That would be a major extension of the demand-side monopoly and inconsistent with the economic objectives of the trade mark system. It would impede competition and give the owner excessive market power by preventing third parties from alerting consumers to alternatives or from ascertaining consumers' real intention in using the relevant sign. Even just requiring third part intermediaries to respect a trade mark's specific meaning in their responses to consumers can still give the owner a significant competitive advantage where the trade mark enjoys a high level of recognition and cognitive availability with consumers.¹²³ Nevertheless, trade mark law has to determine whether the owner's control should extend any further.

Calibrating the owner's control in this context has to take account of the factors that distinguish it from third parties' referential use of a trade mark in advertising and other communication. Here, consumers initiate use of the relevant sign and the core ground of infringement (along with the other grounds of infringement) has to regulate how third parties should respond to that use in the various situations in which it can occur. Moreover,, consumers may not necessarily be

¹²² See Evershed J's comments to this effect in *Sales Affiliates v Le Jean* [1947] Ch 295 (HC). He remarked that "a great hardship and a great injustice" might be done if trade mark owners could not require third party intermediaries to respect the specific meaning of their trade marks since the owners "would have, ultimately, no means whatever of securing any sale for their products": [1947] Ch 295 (HC) at 299.

¹²³ See, for example, "Mixing with Coke Over Trademarks is Always a Fizzle: Coca-Cola Adds a Little Life in Court to Those Failing to Serve the Real Thing", *Wall Street Journal*, March 9, 1978 at 4, discussed in R. Cooter and T. Ulen, *Law & Economics* (5th ed) (Person Education, 2008) at 142.

using the relevant sign in accordance with its legal meaning as a trade mark. Some consumers may treat a familiar trade mark as a generic term and some may simply use it as a convenient starting point.¹²⁴ The CJEU has addressed situations involving responsive referential use in its case law following its elaboration of condition (vi) in *L'Oréal v Bellure*.¹²⁵ These cases have concerned the use by third parties of signs registered as trade marks as keywords for on-line searches.¹²⁶ Where a third party has bought the right to use a sign in this way, then consumers using the sign as a search term will trigger prearranged automated responses in the form of on-line advertising and the like designed to alert such consumers to a third party's products or other alternatives to marked products. Although the third party has taken some initiative through acquiring the right to use the sign as a keyword, it is at this point anticipating that consumers will use the sign and arranging a response.

The CJEU has established that a third party's use of the relevant sign as a keyword satisfies conditions (i) to (v) of the core ground where the third party is selling, supplying or marketing products of the relevant kind. The CJEU has held that the third party is using the sign "in relation to" its products and therefore satisfies condition (v) even though the third party does not use the relevant sign in its advertising or in the website to which it leads consumers making internet searches.¹²⁷ The CJEU noted that consumers (or "internet users") initiate the use of the relevant sign in their quest for information about or sources of supply for marked

¹²⁴ S. Bechtold and C. Tucker, "Trademarks, Triggers and Online Search", (2014) 11 *Journal of Empirical Legal Studies* 718-750.

¹²⁵ Case C-487/07 *L'Oréal v Bellure* [2009] ECR I-5185.

¹²⁶ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417; Case C-278/08 *Die BergSpechte v Günter Guni* [2010] ECR I-2517; Case C-558/08 *Portakabin v Primakabin* [2010] ECR I-6963; Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440; Case C-324/09 *L'Oréal v eBay* [2012] Bus LR 1369.

¹²⁷ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [60]-[74].

products or products of the relevant kind.¹²⁸ However, the third party has pre-arranged an automated response to internet users' use of the relevant sign as a search term with the intention that they should notice this response and investigate it.¹²⁹ The CJEU also held that the third party would be using the relevant sign in such a way as to establish "a link" between the sign and the third party's products.¹³⁰ This is because the relevant sign forms part of the overall communication that may arise between the third party and internet users and the third party's response involves an implicit representation to the internet user in which the relevant sign features.

The extent of the owner's control over keyword advertising therefore depends on the circumstances in which a third party's use of the relevant as a keyword also satisfies condition (vi). The CJEU has rejected arguments that use of a trade mark as a keyword is *ipso facto* liable to affect one of the protected functions. It has ruled that it is not liable to affect the trade mark's advertising function because it does not affect the owner's ability to use the trade mark effectively to solicit specific demand.¹³¹ The CJEU has regarded use in keyword advertising as most likely to affect the trade mark's essential function and this provides the main basis for calibrating the owner's control over such use. The CJEU has held that such use would be liable to affect the trade mark's essential function if it were not to enable a significant proportion of the relevant public to ascertain whether the third party's products originated from the trade mark's owner or from an economically-linked firm or only enabled them to ascertain this

¹²⁸ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [67]-[68].

¹²⁹ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [67]-[68].

¹³⁰ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [72], citing Case C-17/06 *Céline v Céline* [2007] ECR I-7401 at [23].

¹³¹ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [96]-[98]; Case C-278/08 *Die BergSpechte v Günter Guni* [2010] ECR I-2517 at [33]; Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [54] and [59].

with difficulty.¹³² In this context, the relevant public have the characteristics of reasonably well informed and reasonably observant internet users.¹³³ As the Court of Appeal has observed, third parties must “craft their advertisements with appropriate clarity” to avoid liability for infringing the trade mark.¹³⁴ In particular, even though an advertisement may not suggest that there is an economic link with the owner, it will infringe if it is sufficiently vague about the commercial origin of the promoted products that the relevant public are unable to determine this.¹³⁵

The responsibility that this places on third parties who wish to use trade marks as keywords is consistent with a general requirement that they must respect the relevant sign’s legal meaning as a trade mark. It adapts the core ground to this particular form of communication in which a third party pre-arranges an automated response to an internet user’s use of the sign as a search term. The requirement for clarity reflects the fact that the third party would otherwise be making an implicit misrepresentation about the commercial origin of its products in its automated response. This approach is in keeping with the approach that courts in the United Kingdom have taken to third parties who respond to requests or enquiries from consumers in person that involve the use a trade mark.¹³⁶ A third party who sells or supplies a product that is not a marked product in response to such a request or enquiry without further explanation thereby

¹³² Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [83]-[84]; Case C-558/08 *Portakabin v Primakabin* [2010] ECR I-6963 at [34]; Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [44].

¹³³ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [84].

¹³⁴ *Interflora v Marks & Spencer* [2014] EWCA Civ 1403 at [144].

¹³⁵ Cases C-236/08-238/08 *Google France v Louis Vuitton* [2010] ECR I-2417 at [89]-[90]; Case C-558/08 *Portakabin v Primakabin* [2010] ECR I-6963 at [35]; Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [45].

¹³⁶ The courts have also done this where a sign has acquired origin-specific meaning as a trade mark through use and the owner is relying on the tort of passing off: *Havana Cigar v Oddenino* [1922] 2 Ch 243 (HC); [1923] 1 Ch 179 (CA).

infringes the trade mark.¹³⁷ The courts have treated the third party as making an implicit representation to the consumer that it is selling or supplying a marked product or a product that is economically linked in some way to the trade mark.¹³⁸

The key point to note here is that the third party does not have to rely on a defence to avoid liability under the core ground and the qualification of the owner's ancillary right in this context does not detract from the absolute nature of the owner's core right over the relevant sign that the core ground protects. A third party in such a case is not under an absolute obligation to sell or supply only marked products in response to the request or enquiry. Instead, third parties are free to seek clarification of a particular consumer's intention and to alert consumers to alternative products as long as they explain what they are doing and make it clear when they are not selling or supplying marked products.¹³⁹ The CJEU's judgment in *Hölterhoff v Freiesleben*, in which it first anticipated condition (vi), is also consistent with this approach.¹⁴⁰ On the basis that the third party had respected the legal meanings of the trade marks at issue, the CJEU held that the third party had not infringed "any of the interests which [the core ground was] designed to protect".¹⁴¹

However, the CJEU's subsequent elaboration of condition (vi) appears to have extended the owner's control over responsive referential use beyond what is needed to ensure that third parties respect the legal meaning that the relevant sign acquires as a trade mark. The CJEU has ruled that a third party's use of a trade mark as a keyword

¹³⁷ *Havana Cigar v Oddenino* [1922] 2 Ch 243 (HC); [1923] 1 Ch 179 (CA); *Sales Affiliates v Le Jean* [1947] Ch 295 (HC).

¹³⁸ *Havana Cigar v Oddenino* [1922] 2 Ch 243 (HC) at 251; [1923] 1 Ch 179 (CA) at 194 and 202.

¹³⁹ *Havana Cigar v Oddenino* [1922] 2 Ch 243 (HC) at 251; [1923] 1 Ch 179 (CA) at 194-195 and 202. In this case, the courts awarded an injunction against the third party imposing an obligation along these lines.

¹⁴⁰ Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187.

¹⁴¹ Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187 at [16].

may affect its investment function as well as its essential function.¹⁴² To establish an effect on this function, the owner must show that this use substantially interferes with the owner's use of the trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.¹⁴³ It is not enough if a third party's use merely obliges the owner to adapt its efforts in this respect or if a third party's activity leads to consumers switching their demand from marked products.¹⁴⁴ As with the extension of the owner's control generally, this is most likely to apply to trade marks that add substantial intangible value to marked products through their emotional appeal. It is hard to see a good reason for extending the owner's control in this particular context, especially since the protection of such a trade mark's essential function may already help to preserve a significant competitive advantage based on its cognitive availability in the minds of consumers. An advantage of this kind can be especially valuable in the digital age when consumers are more likely to use cognitively available signifiers in their searches and enquiries.

In principle, the extension of the owner's control to cover the additional functions must apply to all kinds of responsive referential use and not just keyword advertising. However, as with the extension of the owner's control over referential use in advertising, it would have been better if the CJEU had elaborated condition (vi) in a way that addressed this kind of use separately and directly so that the owner's control could be calibrated according to the specific issues that it raises.

5. The Supply Side Monopoly and Ancillary Control

The owner's supply-side monopoly reflects its exclusive right to determine which products of the relevant kind are to be marked products and can therefore legitimately

¹⁴² Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [66].

¹⁴³ Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [66].

¹⁴⁴ Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [64].

satisfy the specific demand that its trade mark attracts. It underpins the owner's demand-side monopoly and the trade mark's capacity to attract specific demand for the various reasons noted in section 2. In particular, it gives the owner the supply-side control that is necessary for the owner to be able to vouch for and accept commercial responsibility for marked products.¹⁴⁵ This enables the trade mark to perform its essential function and to "offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality".¹⁴⁶ It also enables the owner to benefit from the trade mark's power to attract specific demand whenever it is used for the first marketing of products in the EEA, thereby maximising the owner's incentive to protect and maintain that power.

Despite the importance of the owner's supply-side monopoly, neither the specification of the core ground nor the CJEU's elaboration of it addresses it explicitly or focuses on the particular set of issues that it raises. The specification just implies that an infringing third party would be using an identical sign in relation to products that are not marked products. There are some provisions in the Directive that relate to ancillary aspects of the supply-side monopoly and these provide some guidance on its nature. In particular, there is the provision concerning the "exhaustion" of the owner's exclusive rights after the first marketing of marked goods in the EEA, which indicates in broad terms that the owner should have some continuing control over the use of its trade mark for the further marketing of marked products which are goods.¹⁴⁷ However, the scope of this continuing control should reflect and reinforce the owner's initial

¹⁴⁵ Case C-10/89 *Cnl Sucal v Hag* [1990] ECR I-3711; Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789 at [43].

¹⁴⁶ Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [48] and [58], citing Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139 at [7] and Case C-299/99 *Koninklijke Philips Electronics v Remington* [2002] ECR I-5475 at [30].

¹⁴⁷ 2015 Directive, art. 15; Directive, art. 7.

supply-side monopoly and secure the economic value and significance of this monopoly.

As for the CJEU's elaboration of the core ground of infringement, condition (vi) has to secure and protect the owner's supply-side monopoly as well as its demand-side one. Its protection of the trade mark's essential function should ensure that "all the goods or services bearing [the trade mark] have been manufactured or supplied under the control of a single undertaking which is responsible for their quality".¹⁴⁸ However, protection of the supply-side monopoly needs to go further and ensure that the owner has specifically authorised particular products as marked products.¹⁴⁹ In this respect, it is relevant to note that the CJEU drew its description of the trade mark's essential function from its case law concerning the owner's continuing control over the further marketing of marked goods.¹⁵⁰ The court had related the essential function to what it termed the "specific subject-matter" of the owner's exclusive rights, which it described as being "in particular to guarantee to the proprietor of the trade mark that he has the exclusive right to use that trade mark for the purpose of putting a product into circulation for the first time".¹⁵¹ This refers to the need for the owner to authorise products as marked products when they are first marketed as such within the EEA.

¹⁴⁸ Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139 at [7]; Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [48] and [58].

¹⁴⁹ Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789. See also *Major Bros. v Franklin* [1908] 1 KB 712 (HC); *Primark v Lollypop* [2001] ETMR 334.

¹⁵⁰ Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139 at [7]. See also Case C-10/89 *Cnl Sucal v Hag* [1990] ECR I-3711 at [14]; Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789 at [38]-[39]; Case C-427/93 *Bristol-Myers Squibb v Paranova* [1996] ECR I-3457 at [43]; Case C-349/95 *Loendersloot (Frits) v Ballantine* [1997] ECR I-6227 at [22]. See I. Simon, "How Does "Essential Function" Doctrine Drive European Trade Mark Law?", (2005) 36 *International Review of Intellectual Property and Competition Law* 401-420.

¹⁵¹ Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139 at [7].

The owner's supply-side monopoly should therefore enable the owner to control the quality and other characteristics of the marked products that differentiate them from other products of the same kind. From this perspective, it is not sufficient that certain products of the relevant kind are products "of" the owner in some other sense or for some other reason.¹⁵² The statement that a trade mark distinguishes the products "of one undertaking" does not give the full story. The owner's right to determine which products are marked products should enable it to determine the precise combination of quality and other characteristics that they have in common. The trade mark may therefore distinguish marked products not only from the products of other firms, but from other brands of product of the owner that may differ in terms of quality and other characteristics. Moreover, for products to constitute marked products, it is not enough for these products to be identical to marked products in terms of their quality and other characteristics or even for the same supplier or sub-contractor to have supplied or produced them to exactly the same specifications as marked products.¹⁵³ What is required is for the owner to have approved them or endorsed them as marked products at the point of first marketing.¹⁵⁴ The owner's control at this point establishes the commercial accountability for marked products that a trade mark is supposed to signify. As well as ensuring a trade mark's effectiveness as a resource for marketing products and attracting specific demand to them, the supply-side monopoly also underlies the trade

¹⁵² This is also the case in the context of passing off: *Spalding v Gamage* (1915) 32 RPC 273 (HL); *Colgate-Palmolive v Markwell* [1989] RPC 497 (CA).

¹⁵³ *Major Bros. v Franklin* [1908] 1 KB 712 (HC); *Primark v Lollypop* [2001] ETMR 334.

¹⁵⁴ "[I]t is not enough that [the goods at issue] should have been manufactured to Primark's specification: they must have been adopted by Primark as its goods. Without such adoption, Primark cannot be taken to be saying either that it is the source of the goods or that it accepts responsibility for their quality": *Primark v Lollypop* [2001] ETMR 334 at [11] (Mr John Martin QC sitting as a Deputy High Court Judge). The position is the same in the United States: *El Greco Leather Products v Shoe World* 806 F. 2d 392 (2d Cir. 1986).

mark's important role in business organisation.¹⁵⁵ This role depends on both the owner's exclusive control over the supply of marked products and the flexibility that trade mark law gives the owner as to how it can exercise that control.¹⁵⁶

Another implication of the control that its supply-side monopoly gives the owner of a trade mark is that it can use different trade marks or different combinations of trade marks to establish different brands for products of the same kind. Even though the different brands may be under the same control, they do not represent the same commercial origin. Products of one brand cannot satisfy demand expressed for the other or be marketed as another brand.¹⁵⁷ A firm can use this facility to customise products in terms of their quality, design, features and other characteristics to attract specific demand from different groups of consumers.¹⁵⁸ As noted in section 2, a firm may go further and differentiate a particular brand of products in terms of its image and potential emotional impact to attract specific demand that reflects the emotional desires of consumers. This particular application

¹⁵⁵ On this role, see A.P. Griffiths, *An Economic Perspective on Trade Mark Law* (Edward Elgar Publishing, 2011) at 165-217.

¹⁵⁶ Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789 at [37]-[39].

¹⁵⁷ One exception to this arises where an undertaking markets what is essentially the same brand of product in terms of quality and other characteristics under different trade marks in different territories within the EEA in order to give effect to the principle of the free movement of goods. A parallel importer or other third party is entitled to use the trade mark appropriate for the territory of import to market products that were first marketed elsewhere in the EEA under the other trade mark, subject to complying with certain conditions to protect the trade mark's economic value: Case C-379/97 *Pharmacia & Upjohn v Paranova* [1999] ECR I-6927. The conditions are broadly the same as those applying to the further marketing of marked goods after repackaging or other interference, which are discussed later in this section.

¹⁵⁸ *Andrew (John) v Kuehnrich* (1913) 30 RPC 677(CA). On this capacity, see T. da Silva Lopes and M. Casson, "Entrepreneurship and the Development of Global Brands", (2007) 81 *Business History Review* 651-680 at 655.

of the product customisation and differentiation that firms can use trade marks to achieve has become particularly valuable with the fragmented and restless patterns of demand that have accompanied the growth of consumerism.¹⁵⁹

As regards the basis of the owner's control over the marked products at the point of first marketing, the CJEU has ruled that it must be continuing so that the owner is in a continuing position to ensure their consistency and to control any divergence in this respect.¹⁶⁰ This means that there is a continuing alignment between the owner's exclusive right to authorise products as marked products and the ability to determine their quality and other characteristics, which establishes the commercial accountability for marked products that the trade mark is supposed to establish and signify. The owner's absolute control at the point of first marketing also means that this commercial accountability can cover the characteristics of the owner as a firm, including standards of business behaviour. In principle, it can extend to cover business behaviour in the supply chain for the marked products as well and should therefore add to the pressure that brand owners may experience to require and enforce good standards of business behaviour in their supply chains.¹⁶¹

The owner of a trade mark can have the necessary continuing control over marked products through its own governance structure (or that of a greater

¹⁵⁹ On these patterns, see, for example, W. Streeck, "Citizens as Consumers: Considerations on the New Politics of Consumption", (2012) 76 *New Left Review* 27-47 at 28-36; C. Campbell, "The Curse of the New: How the Accelerating Pursuit of the New is Driving Hyper-Consumption", in K.M. Ekström (ed), *Waste Management and Sustainable Consumption* (Routledge, 2015) at 29-51.

¹⁶⁰ The CJEU ruled that the requisite unitary control would not be present where products were being marketed "by an enterprise which has no tie of legal or economic dependence with" the owner of the trade mark: Case C-10/89 *Cnl Sucal v Hag* [1990] ECR I-3711 at [15].

¹⁶¹ S. Hilton, "The Social Value of Brands", in R. Clifton and J. Simmons (eds), *Brands and Branding* (The Economist in association with Profile Books, 2003) 47-64 at 55. For a critical appraisal of this potential, see M. Chon, "Slow Logo: Brand Citizenship in Global Value Networks", (2014) 47 *UC Davis Law Review* 935-968.

undertaking of which it forms part) or through an ongoing contractual arrangement such as a licensing agreement. However, the voluntary disposal of a firm would not give the owner the requisite continuing control over the products of that firm unless it were supplemented by a licensing agreement or similar arrangement.¹⁶² Subject to this, it is not necessary for the owner to exercise its control with any particular degree of effectiveness: “the decisive factor is the possibility of control over the quality of goods, not the actual exercise of that control”.¹⁶³ This explains the economic nature of the reassurance that a trade mark can provide to consumers.¹⁶⁴ Moreover, the owner has discretion as to the legal basis on which its power of continuing control rests. This allows for a wide range of organisational possibilities. They include direct control as when production takes place in-house or within a group of a group of companies and indirect control through contractual mechanisms such as procurement, sub-contracting and licensing.¹⁶⁵ The owner is also free to alter the arrangements whereby it has control even though this may affect the quality or consistency of the marked products.¹⁶⁶ This enables the owner to outsource production if it so decides and to do this behind the mask of institutional continuity that the trade mark provides for the marked products. As the CJEU has ruled, “the origin which the trade mark is intended to guarantee ... is not defined by reference to the manufacturer but by reference to the point of control of manufacture”.¹⁶⁷

¹⁶² Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789.

¹⁶³ Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789 at [38].

¹⁶⁴ As Advocate General Jacobs noted in his Opinion in *Hag II*: “although trade marks do not provide any form of legal guarantee of quality – the absence of which may have led some to underestimate their significance – they do in economic terms provide such a guarantee, which is acted upon daily by consumers”: Case C-10/89 *Cnl Sucal v Hag* [1990] ECR I-3711; [1990] 3 CMLR 571 at 583.

¹⁶⁵ Case C-9/93 *IHT v Ideal-Standard* [1994] ECR I-2789 at [37]-[39].

¹⁶⁶ *Bostitch Trade Mark* [1963] RPC 183 at 197.

¹⁶⁷ *IHT v. Ideal-Standard* [1994] 3 CMLR 857 at [37].

The supply-side monopoly therefore gives the owner of a trade mark control over the supply of products that can legitimately satisfy the specific demand that its trade mark attracts. This does much to explain the various contributions that trade marks and the brands they signify make to the nature of commercial activity and its organisation. However, the CJEU's elaboration of the core ground of infringement with its emphasis on protecting the trade mark's "essential function" does not fully bring out the nature of this monopoly and its various implications. There are further shortcomings in this respect. In particular, the CJEU's elaboration does not provide a clear legal explanation for the territorial dimension of the supply-side monopoly in European trade mark law.¹⁶⁸ This dimension is reflected in the overall limitation on the doctrine of "exhaustion" as it applies to the rights of the owner of a trade mark after the first marketing of marked products that are goods within the EEA.¹⁶⁹ It means that this doctrine only applies once goods have been marketed (or authorised for marketing) as marked products within the EEA.¹⁷⁰ This means that goods that the

¹⁶⁸ M. Senftleben, "Function Theory and International Exhaustion: Why it is Wise to confine the Double Identity Rule in EU Trade Mark Law to Cases affecting the Origin Function", (2014) 36 EIPR 518-524. If, as seems likely at the time of writing, the United Kingdom exits the single market as well as the European Union, then it would have scope to reform the law here and adopt a different rule of exhaustion, giving a different territorial dimension to the supply-side monopoly.

¹⁶⁹ 2015 Directive, art. 15; Directive, art.7. See further A.G. Chronopoulos and S.M. Maniatis, "Trademark Exhaustion and its Interface with EU Competition Law", in I. Calboli and E. Lee (eds), *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (Edward Elgar, 2016) at 343-366.

¹⁷⁰ Case C-355/96 *Silhouette v Hartlauer* [1998] ECR I-4799; Case C-173/98 *Sebago v GB-Unic* [1999] ECR I-4103. The owner can waive its exclusive right in this respect through consenting to the further marketing of such products as marked products, but the CJEU has ruled that its consent must be positive and unequivocal: Joined Cases C-414/99-C-416/99 *Zino Davidoff v A & G Imports* [2001] ECR I-8691. See also *Oracle America v M-Tech Data* [2012] UKSC 27. For an example of circumstances from which

owner has only marketed (or authorised for marketing) as marked products outside the EEA cannot satisfy specific demand for marked products within the EEA.

The doctrine of exhaustion means that in the case of goods the owner's absolute control over the supply of marked products that is necessary for the trade mark to perform its essential function only needs to be present when they are first marketed in the EEA. This is the point at which the owner vouches for them and the commercial accountability for the marked products that the trade mark signifies is established. This limits the scope of the supply-side monopoly and there are good policy reasons for doing this. It gives the owner an opportunity to secure a return from the power of its trade mark to attract specific demand within the EEA, but prevents the owner from earning multiple returns from that power for the same goods.¹⁷¹ The owner has the opportunity at this point to determine their quality and other characteristics of all marked products and to limit the risk that they might damage the trade mark's reputation or its capacity to attract specific demand. The doctrine of exhaustion also facilitates "intra-brand" or "downstream" competition between marked goods within the EEA and encourages the emergence of a uniform market price for them in accordance with the principle of the free movement of goods.¹⁷² It therefore discourages territorial price discrimination within the EEA.¹⁷³

a court was able to infer the necessary consent, see *Mastercigars v Hunters & Frankau* [2007] EWCA Civ 176.

¹⁷¹ Case C-46/10 *Viking Gas v Kosan Gas* (C-46/10) [2011] ETMR 58 (WL) at [31]-[32].

¹⁷² Treaty on the Functioning of the European Union ("TFEU"), art. 34.

¹⁷³ Price discrimination occurs when a firm is able to charge different prices for the same or very similar products to different consumers or groups of consumers: see, for example, R. Van den Bergh and P. Camasasca, *European Competition Law and Economics: A Comparative Perspective* (Sweet & Maxwell, 2006) at 254-257. On territorial price discrimination in this context, see K.E. Maskus, "Economic Perspectives on Exhaustion and Parallel Imports", in I. Calboli and E. Lee (eds), *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (Edward Elgar, 2016) 106-124 at 112-113. See

Given the above points, the limitation of the doctrine of exhaustion to first marketing within the EEA is hard to explain as necessary to protect a trade mark's essential function. It is also hard to explain as necessary to protect any of the additional functions that the CJEU has identified. It exists in effect as a territorial dimension of the owner's supply-side monopoly and enables firms operating within the EEA to engage in territorial price discrimination as between the EEA and territories elsewhere. This territorial dimension can be justified since there are countervailing policy reasons against having an unlimited doctrine of "international exhaustion" at the point of first marketing and in favour of territorial price discrimination at the national or regional level.¹⁷⁴ This can, for example, benefit consumers in lower-income territories and be socially advantageous for goods such as pharmaceutical products. It is also arguable that the owner's ability to ensure adequate quality control over the downstream movement of marked goods and to combat the marketing of counterfeit products can be significantly more difficult with an international rule of exhaustion, which is also a particular concern with pharmaceutical products.¹⁷⁵ However, the criticism of the CJEU's elaboration of the core ground of infringement in this respect does not depend on the merits of the case for adopting a regional rule of exhaustion covering first marketing in the EEA. The criticism is that CJEU's elaboration does not

further R. Schmalensee, "Output and Welfare Implications of Monopolistic Third-Degree Price Discrimination", (1981) 71 *American Economic Review* 242-247.

¹⁷⁴ See, for example, K.E. Maskus, "Parallel Imports", (2000) 23 *World Economy* 1269-1284 at 1274-1282; M. Richardson, "An Elementary Proposition Concerning Parallel Imports", (2002) 56 *Journal of International Economics* 233-245; K. Saggi, "Regional Exhaustion of Intellectual Property", (2014) 10 *International Journal of Economic Theory* 125-137 at 126-127; K.E. Maskus, "Economic Perspectives on Exhaustion and Parallel Imports", in I. Calboli and E. Lee (eds), *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (Edward Elgar, 2016) 106-124 at 112-115.

¹⁷⁵ See, for example, K. Lewis, "The Fake and the Fatal: The Consequences of Counterfeits", (2009) 17 *The Park Place Economist* 47-58; available at <http://digitalcommons.iwu.edu/parkplace/vol17/iss1/14/> (accessed March 2017).

address the relevance of EEA regional exhaustion in this context and does not clearly explain why the owner of a trade mark can rely upon the core ground of infringement to enforce this territorial dimension of its supply-side monopoly.

A further problem with relying upon the CJEU's elaboration of the core ground of infringement to enforce the supply-side monopoly is that it does not provide a clear basis for calibrating the owner's ancillary supply-side rights that are necessary to ensure that a trade mark can perform its intended economic role downstream. These ancillary rights are necessary to reflect and reinforce the absolute control that its supply-side monopoly gives the owner over marked products at the point of first marketing and the commercial accountability that this establishes. The owner needs some continuing control over a third party's use of the trade mark to identity or refer to marked goods for further marketing downstream so that it can prevent its use in circumstances that are liable to damage or undermine the trade mark's reputation and its power to attract specific demand. A similar point arises where the owner has authorised a licensee to market marked products and the licensee breaches a term of the agreement that relates to the quality or other characteristics of the products that the licensee is authorised to market as marked products. Again, the owner needs control over the use of its trade mark for marketing products in these circumstances.

In order to determine the scope of the ancillary rights that the owner of a trade mark should have in these situations, it is first necessary to determine the matters over which the owner should be able to exercise control and for which the trade mark can establish commercial accountability. As noted already, this should include all matters of potential significance to consumers that the owner is in a position to control and may therefore wish to vouch for at the point of first marketing. The CJEU's description of the essential function of a trade mark refers specifically to the owner being responsible for the "quality" of marked products.¹⁷⁶ Article 8 of the Directive,

¹⁷⁶ Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139 at [7]; Case C-206/02 *Arsenal FC v Matthew Reed* [2002] ECR I-10273 at [48] and [58].

which specifies the terms in a licensing agreement breach of which can negate the licensee's entitlement to market products as marked products, specifically mentions terms relating to the "quality" of the products.¹⁷⁷ The concept of product "quality" is elusive, especially since consumers' preferences and priorities as to what they look for and expect in products have tended to change significantly over time.¹⁷⁸ The CJEU has treated product "quality" as potentially including the kind of intangible quality that a trade mark may confer on products when it has acquired an attractive image.¹⁷⁹ This is consistent with the CJEU's identification of a trade mark's investment function as one that the core ground of infringement may protect.¹⁸⁰ The owner's ancillary rights should also cover standards of business behaviour where the owner vouches for these

¹⁷⁷ Directive, art. 8(2); 2015 Directive, art. 25(2)(e).

¹⁷⁸ B.W. Tuchman, "The Decline of Quality", *New York Times Magazine*, November 2 1980 at 38–41; C.A. Reeves and D.A. Bednar, "Defining Quality: Alternatives and Implications", (1994) 19 *Academy of Management Review* 419-445. See generally A.P. Griffiths, "Quality in European Trade Mark Law", (2013) 11 *Northwestern Journal of Technology and Intellectual Property* 621-641.

¹⁷⁹ "[T]he quality of luxury goods ... is not just the result of their material characteristics, but also of the allure and prestigious image which bestows on them an aura of luxury ... [T]he aura of luxury is essential in that it enables consumers to distinguish them from similar goods ... [A]n impairment to that aura of luxury is likely to affect the actual quality of those goods": Case C-59/08 *Copad v Christian Dior Couture* [2009] ECR I-3421 at [24]-[26]. However, the CJEU has also ruled that the impact of infringing such a term on the trade mark's capacity to confer intangible quality is different from the impact of infringing a term relating to tangible quality on the trade mark's capacity to provide quality assurance and that assessing the legal consequences of a particular breach should take account of this difference: Case C-59/08 *Copad v Christian Dior Couture* [2009] ECR I-3421 at [30]-[32]. See Advocate General Kokott's discussion of this point in her Opinion to the CJEU at [AG30]-[AG37].

¹⁸⁰ Case C-323/09 *Interflora v Marks & Spencer* [2012] Bus LR 1440 at [60].

standards at the point of first marketing and the trade mark has acquired a good reputation in this respect..¹⁸¹

The Directive gives the owner some control over the use of its trade mark downstream through setting a limit on the doctrine of exhaustion. The provision refers to there being “legitimate reasons” for the owner “to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market”.¹⁸² The CJEU has established that these reasons are not limited to activity downstream that affects the functional or material quality of the marked products.¹⁸³ The CJEU has ruled that the owner has a *prima facie* right to prohibit the use of its trade mark for further marketing after any unauthorised interference with marked goods, including repackaging and even re-labelling.¹⁸⁴ However, to give full effect to the principle of the free movement of goods,¹⁸⁵ the CJEU has qualified the owner’s ancillary rights here and established that a third party (such as a parallel importer) is entitled to use the trade mark for further marketing as long as it satisfies five conditions.¹⁸⁶ The owner’s ancillary right here is therefore one of

¹⁸¹ For an example of a trade mark owner seeking to control the use of its trade mark downstream to protect a reputation of this kind, see *Cosmetic Warriors v Amazon* [2014] EWHC 181.

¹⁸² 2015 Directive, art. 15(2); Directive, art. 7(2).

¹⁸³ Case C-46/10 *Viking Gas v Kosan Gas* [2011] ETMR 58 (WL) at [36].

¹⁸⁴ Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139; Case C-427/93 *Bristol-Myers Squibb v Paranova* [1996] ECR I-3457; Case C-348/04 *Boehringer Ingelheim v Swingward (No. 2)* [2007] ECR-3391; Case C-276/05 *Wellcome v Paranova* [2008] ECR I-10479.

¹⁸⁵ Article 36 of the TFEU provides that the protection of property rights should not constitute a “means of arbitrary discrimination or a disguised restriction” on trade between member states and that any derogation from the principle of free movement must be limited accordingly.

¹⁸⁶ Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139; Case C-427/93 *Bristol-Myers Squibb v Paranova* [1996] ECR I-3457; *Pharmacia & Upjohn v. Paranova* (C-379/97) [1999] ETMR 937; Case C-143/00 *Boehringer Ingelheim v Swingward (No. 1)* [2002] ECR I-3762; Case C-348/04 *Boehringer Ingelheim v Swingward (No. 2)* [2007] ECR-3391; Case C-276/05 *Wellcome v Paranova*

being entitled to enforce these conditions against third parties downstream. One of these conditions secures the owner's control in this respect by requiring the third party to give prior notice in writing to the owner along with a sample of the relevant products in their new packaging or as otherwise adapted.¹⁸⁷ Failure to give such notice renders the products in question "spurious" and equivalent to unauthorised products.¹⁸⁸ This condition therefore ensures that the owner has the opportunity to enforce compliance with the other conditions, which broadly protect the trade mark's power to attract specific demand and the commercial accountability that it establishes for the marked goods.¹⁸⁹ In particular, the third party must prove that any unauthorised interference could not have affected the original condition of the products inside the packaging (whether directly or indirectly) and that the presentation of the adapted products for further marketing (including the quality and appearance of their packaging) could not damage the reputation of the trade mark and its owner.¹⁹⁰ The CJEU's reference to a trade mark's reputation in this context suggests that the owner's continuing control should be broad enough to cover all matters that the owner is in a position to control at the point of first marketing, including business standards and behaviour.

The core ground of infringement therefore has to secure the supply-side monopoly and the owner's ancillary downstream control as well as a trade mark's

[2008] ECR I-10479; Case C-46/10 *Viking Gas v Kosan Gas* (C-46/10) [2011] ETMR 58 (WL); Cases C-400/09 & C-207/10 *Orifarm v Merck* [2011] CMLR 10 (WL).

¹⁸⁷ Case C-348/04 *Boehringer Ingelheim v Swingward* (No. 2) [2007] ECR-3391 at [55]-[56].

¹⁸⁸ Case C-348/04 *Boehringer Ingelheim v Swingward* (No. 2) [2007] ECR-3391 at [64].

¹⁸⁹ Case C-102/77 *Hoffmann-la Roche v Centrafarm* [1978] ECR 1139 at [11]; Cases C-400/09 & C-207/10 *Orifarm v Merck* [2011] CMLR 10 (WL) at [26].

¹⁹⁰ Case C-427/93 *Bristol-Myers Squibb v Paranova* [1996] ECR I-3457 at [79]. An indirect effect on their condition includes, for example, the omission of important information or the insertion of extra articles that are not suitable.

demand-side role.¹⁹¹ Although the CJEU drew on its case law concerning these supply-side matters in its development of condition (vi), it has not directly connected them to each other. In substance, the core ground has provided adequate protection for the supply-side monopoly, but the CJEU's elaboration of condition (vi) has not provided a clear legal explanation of the various features and nuances of this monopoly. In particular, it makes it hard to explain the monopoly's territorial dimension and has obscured the full extent of the contribution of this monopoly to the role of trade marks in commercial activity. As regards the territorial dimension, this is a feature of European trade mark law, albeit a controversial one. There are sound policy arguments for and against having this dimension, but it needs a clear legal basis regardless of its merits. Addressing the supply-side monopoly directly would be one way of doing this. It would also ensure recognition of the commercial accountability that the owner's absolute control over the first marketing of marked products and enable the ancillary rights that give the owner a measure of continuing control to be calibrated accordingly.

6. Conclusion

This article has argued that the core ground of infringement should protect two monopolies that trade mark owners enjoy and various ancillary aspects of these monopolies. The purpose of this protection should be to ensure the effectiveness of a trade mark as a resource that enables its owner to compete on the basis of the quality and other characteristics of its products and on the owner's merits as the commercial source of these products. Its demand-side monopoly should give the owner of a trade mark the exclusive right to use it as a means of branding products of a particular kind to differentiate them from others and turn them into potential objects of specific demand. Its supply-side monopoly gives the owner the exclusive right to supply the products that

¹⁹¹ See Arnold J's discussion of this point in *Supreme Petfoods v Henry Bell* [2015] EWHC 256 (Civ) at [135]-[143].

can satisfy this specific demand. The owner can then use the resource that these two monopolies secure to customise and differentiate products of the relevant kind in various ways, to signify commercial accountability for these products and to organise their production. Products branded in this way can attract specific demand for various reasons and the owner has significant latitude as to how it organises or reorganises the supply that can satisfy this demand.

This article has shown how a trade mark, or rather the distinctive identity that it signifies and can confer on products, is a dynamic resource that may perform a number of distinct operational functions in relation to attracting and securing specific demand to specific products. As well as defining the object of that demand, it provides a basis for communicating with consumers and soliciting specific demand and a means of reeling in specific demand and ensuring that only marked products can satisfy this demand. It also provides a means whereby consumers can communicate with each other and with third parties about marked products and can express specific demand for them. A trade mark has the additional capacity to gain a presence in the minds of consumers and acquire additional meanings there in the form of a reputation, an image and other associations. As well as improving its overall effectiveness at performing its various operational functions, this may enable it to add intangible forms of quality to marked products that may appeal to the emotional desires of consumers or a section of them.

The core ground of infringement therefore has to secure and protect a set of rights that cover a range of different matters. These rights need precise calibration to ensure that they provide sufficient protection to ensure the trade mark's effectiveness in the relevant context without impeding fair competition or giving the owner excessive market power. The owner's demand-side monopoly should cover only use of the relevant sign in a way that relevant consumers are likely to perceive as signifying or informing them about the commercial origin of products of the relevant kind. Specific calibration along these lines is necessary because of the wide range of circumstances in which and the wide range of reasons why the relevant sign may appear on a third party's products or in communication with consumers relating to a third party's products. Moreover, the

owner does not require absolute control over a third party's referential use of the trade mark or over a third party's response to a consumer's referential use of the trade mark to ensure its effectiveness at performing its ancillary operational functions. There is a case for extending the owner's ancillary rights to give it greater control over third parties' referential use of its trade mark in advertising that promotes alternatives to marked products, but these rights need qualification through defences to facilitate fair competition.

The CJEU's introduction of general condition (vi) has done much to strike a satisfactory balance in its calibration of the core ground, especially when it has focused specifically on protecting a trade mark's so-called "essential" function of guaranteeing the commercial origin of marked products. It would have been better if this condition had addressed each of the monopolies separately. For the supply-side monopoly, this could have put its territorial dimension on a much clearer legal footing. As it stands, the CJEU's formulation of condition (vi) does not provide a satisfactory basis for calibrating the ancillary aspects of each monopoly. It does not give the owner a clear legal position from which it can exercise control over a third party's referential use of the trade mark in advertising and enforce the terms and condition of the defences on which a third party should rely. The CJEU has sought to overcome this deficiency through invoking various additional functions that may require protection, but this does not provide a coherent framework for the task. The 2015 Directive's declaration that use of a trade mark in comparative advertising that infringes the MCAD constitutes infringing activity adds to the confusion here. The CJEU's elaboration of condition (vi) of the core ground has also added complexity to the calibration of the owner's control over responsive referential use of its trade mark for keyword advertising and potentially over other forms of responsive referential use as well.

In other respects, the effect of the CJEU's elaboration of condition (vi) has been to extend the scope of the owner's control generally and to disturb the more satisfactory overall balance that the CJEU had previously struck. The functions that the CJEU has invoked for this purpose do not readily map onto the ancillary operational functions that

a trade mark may perform on its demand side. They also do not address the territorial dimension and other features of the supply-side monopoly and the ancillary rights over use of its trade mark for further marketing of marked goods downstream that the owner requires. The CJEU's additional functions relate more to a trade mark's capacity to gain a presence in the minds of consumers and acquire additional meanings, in particular in the form of an attractive image. The case for protecting this capacity is debatable and it would be better to do this directly. It would also be useful to ensure that any extension of the overall protection of trade mark owners gives firms a clear incentive to develop a good reputation for business behaviour and to use their control to enforce good standards upstream and downstream.

In conclusion, it would be better if the core ground of infringement were to address the two monopolies and the ancillary aspects of each monopoly separately and directly, according to the specific set of issues that they each raise.